

CERRITOS COMMUNITY COLLEGE DISTRICT

Audit Report

ENROLLMENT FEE COLLECTION AND WAIVERS PROGRAM

Education Code section 76300; and
Title 5, *California Code of Regulations*,
Sections 58501-58503, 58611-58613, 58620, and 58630

July 1, 1998, through June 30, 2011



JOHN CHIANG
California State Controller

March 2014



JOHN CHIANG
California State Controller

March 28, 2014

Carmen Avalos, President
Board of Trustees
Cerritos Community College District
11110 Alondra Boulevard
Norwalk, CA 90650-6203

Dear Ms. Avalos:

The State Controller's Office audited the costs claimed by the Cerritos Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code section 76300; and Title 5, *California Code of Regulations*, sections 58501-58503, 58611-58613, 58620, and 58630) for the period of July 1, 1998, through June 30, 2011.

The district claimed \$6,989,823 for the mandated program. Our audit found that \$209,641 is allowable (\$231,386 less a \$21,745 penalty for filing late claims) and \$6,780,182 is unallowable. The costs are unallowable because the district claimed estimated costs that were not supported by source documentation, claimed ineligible time, overstated student enrollment numbers, understated the number of BOGG fee waivers, misstated indirect cost rates, overstated/understated staff productive hourly rates, and misstated offsetting reimbursements. The State paid the district \$45,554. Allowable costs claimed exceed the amount paid by \$164,087.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

cc: Linda L. Lacy, Ph.D., President/Superintendent
Cerritos Community College District
Ali Delawalla, Director of Fiscal Services
Cerritos Community College District
David El Fattal, Vice President, Business Services/Assistant Superintendent
Cerritos Community College District
Christine Atalig, Specialist
College Finance and Facilities Planning
California Community Colleges Chancellor's Office
Mollie Quasebarth, Principal Program Budget Analyst
Education Systems Unit
California Department of Finance
Mario Rodriguez, Finance Budget Analyst
Education Systems Unit
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	3
Views of Responsible Officials.....	4
Restricted Use	4
Schedule 1—Summary of Program Costs	5
Findings and Recommendations.....	15
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Cerritos Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code section 76300; and Title 5, *California Code of Regulations*, sections 58501-58503, 58611-58613, 58620, and 58630) for the period of July 1, 1998, through June 30, 2011.

The district claimed \$6,989,823 for the mandated program. Our audit found that \$209,641 is allowable (\$231,386 less a \$21,745 penalty for filing late claims) and \$6,780,182 is unallowable. The costs are unallowable because the district claimed estimated costs that were not supported by source documentation, claimed ineligible time, overstated student enrollment numbers, understated the number of BOGG fee waivers, misstated indirect cost rates, overstated/understated staff productive hourly rates, and misstated offsetting reimbursements. The State paid the district \$45,554. Allowable costs claimed exceed the amount paid by \$164,087.

Background

Education Code section 76300 and Title 5, *California Code of Regulations*, sections 58501-58503, 58611-58613, 58620, and 58630 authorize community college districts to calculate and collect student enrollment fees and to waive student fees in certain instances. The codes also direct community college districts to report the number of, and amounts provided for Board of Governor Grants (BOGG) and to adopt procedures that will document all financial assistance provided on behalf of students pursuant to Chapter 9 of Title 5, *California Code of Regulations*.

The sections were added and/or amended by:

- Chapter 1, Statutes of 1984;
- Chapters 274 and 1401, Statutes of 1984;
- Chapters 920 and 1454, Statutes of 1985;
- Chapters 46 and 395, Statutes of 1986;
- Chapter 1118, Statutes of 1987;
- Chapter 136, Statutes of 1989;
- Chapter 114, Statutes of 1991;
- Chapter 703, Statutes of 1992;
- Chapters 8, 66, 67, and 1124, Statutes of 1993;
- Chapters 153 and 422, Statutes of 1994;
- Chapter 308, Statutes of 1995;
- Chapter 63, Statutes of 1996; and
- Chapter 72, Statutes of 1999.

On April 24, 2003, the Commission on State Mandates (CSM) adopted the Statement of Decision for the Enrollment Fee Collection and Waivers Program. The CSM found that the test claim legislation constitutes a new program or higher level of service and imposes a reimbursable state-mandated program on community college districts within the meaning of Article XIII B, Section 6 of the California Constitution and Government Code section 17514.

The CSM found that the following activities are reimbursable:

- Calculating and collecting the student enrollment fee for each student enrolled except for nonresidents, and except for special part-time students cited in section 76300, subdivision (f).
- Waiving student fees in accordance with the groups listed in Education Code section 76300, subdivisions (g) and (h).
- Waiving fees for students who apply for and are eligible for Board of Governors (BOG) fee waivers.
- Reporting to the Community Colleges Chancellor the number of and amounts provided for BOG waivers.
- Adopting procedures that will document all financial assistance provided on behalf of students pursuant to Chapter 9 of Title 5 of the *California Code of Regulations*; and including in the procedures the rules for retention of support documentation which will enable an independent determination regarding accuracy of the district's certification of need for financial assistance.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on January 26, 2006. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Enrollment Fee Collection and Waivers Program for the period of July 1, 1998, through June 30, 2011.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Cerritos Community College District claimed \$6,989,823 for costs of the Enrollment Fee Collection and Waivers Program. Our audit found that \$269,641 is allowable (\$231,386 less a \$21,745 penalty for filing late claims) and \$6,780,182 is unallowable.

For the fiscal year (FY) 1998-99 claim, the State paid the district \$45,554. Our audit found that \$23,785 is allowable. The State will offset \$21,769 from other mandated program payments due to the district. Alternatively, the district may remit this amount to the State.

For the FY 1999-2000 claim, the State made no payment to the district. Our audit found that \$28,768 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$28,768, contingent upon available appropriations.

For the FY 2000-01 claim, the State made no payment to the district. Our audit found that \$40,074 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$40,074, contingent upon available appropriations.

For the FY 2001-02 claim, the State made no payment to the district. Our audit found that \$51,421 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$51,421, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the district. Our audit found that \$38,635 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$38,635, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the district. Our audit found that \$6,142 is allowable. The State will pay allowable costs that exceed the amount paid, totaling \$6,142, contingent upon available appropriations.

For the FY 2004-05 through FY 2008-09 claims, the State made no payments to the district. Our audit found that the costs claimed are unallowable.

For the FY 2009-10 claim, the State made no payment to the district. Our audit found that \$6,871 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$6,871, contingent upon available appropriations.

For the FY 2010-11 claim, the State made no payment to the district. Our audit found that \$13,945 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$13,945, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft report on February 20, 2014. David El Fattal, Vice President, Business Services responded by letter dated March 13, 2014 (Attachment), disagreeing with the audit results for Finding 1. The district did not provide a response as to whether it agreed with Findings 2 through 5.

Based on the district's response, we increased allowable costs by \$145,362, from \$64,279 to \$209,641. These changes are discussed in Findings 1, 3, and 4. Penalties for filing late claims were also affected.

Restricted Use

This report is solely for the information and use of the Cerritos Community College District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

March 28, 2014

Schedule 1— Summary of Program Costs July 1, 1998, through June 30, 2011

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 1998, through June 30, 1999</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and Collecting Enrollment Fees	\$ 347,086	\$ 64,290	\$ (282,796)	Finding 1
Total direct costs	347,086	64,290	(282,796)	
Indirect costs	136,405	10,016	(126,389)	Finding 3
Total direct and indirect costs	483,491	74,306	(409,185)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(36,202)	(47,878)	(11,676)	Finding 4
Subtotal	447,289	26,428	(420,861)	
Less late filing penalty	—	(2,643)	(2,643)	
Total program costs	<u>\$ 447,289</u>	<u>23,785</u>	<u>\$ (423,504)</u>	
Less amount paid by the State		(45,554)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (21,769)</u>		
<u>July 1, 1999, through June 30, 2000</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 390,263	\$ 72,027	\$ (318,236)	Finding 1
Total direct costs	390,263	72,027	(318,236)	
Indirect costs	157,393	8,478	(148,915)	Finding 3
Total direct and indirect costs	547,656	80,505	(467,151)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(35,648)	(48,541)	(12,893)	Finding 4
Subtotal - Enrollment Fee Collection	512,008	31,964	(480,044)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	238	238	—	
Staff training	131	131	—	
Waiving student fees	103,109	39,378	(63,731)	Finding 2
Reporting BOG fee waiver data to CCCCCO	66	66	—	
Total direct costs	103,544	39,813	(63,731)	
Indirect costs	41,760	4,686	(37,074)	Finding 3
Total direct and indirect costs	145,304	44,499	(100,805)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(113,801)	(137,321)	(23,520)	Finding 4
Adjustment for unused portion of offsets ²	—	92,822	92,822	Finding 4
Subtotal - Enrollment Fee Waivers	31,503	—	(31,503)	
Total costs	543,511	31,964	(511,547)	
Less late filing penalty	—	(3,196)	(3,196)	
Total program costs	<u>\$ 543,511</u>	<u>28,768</u>	<u>\$ (514,743)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 28,768</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2000, through June 30, 2001</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 466,916	\$ 85,005	\$ (381,911)	Finding 1
Total direct costs	466,916	85,005	(381,911)	
Indirect costs	153,055	9,699	(143,356)	Finding 3
Total direct and indirect costs	619,971	94,704	(525,267)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(37,121)	(50,177)	(13,056)	Finding 4
Subtotal - Enrollment Fee Collection	582,850	44,527	(538,323)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	162	162	—	
Staff training	102	102	—	
Waiving Student Fees	113,801	44,421	(69,380)	Finding 2
Reporting BOG fee waiver data to CCCCCO	68	68	—	
Total direct costs	114,133	44,753	(69,380)	
Indirect costs	37,413	5,106	(32,307)	Finding 3
Total direct and indirect costs	151,546	49,859	(101,687)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(114,133)	(181,749)	(67,616)	Finding 4
Adjustment for unused portion of offsets ²	—	131,890	131,890	Finding 4
Subtotal - Enrollment Fee Waivers	37,413	—	(37,413)	
Total costs	620,263	44,527	(575,736)	
Less late filing penalty	—	(4,453)	(4,453)	
Total program costs	\$ 620,263	40,074	\$ (580,189)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 40,074		
<u>July 1, 2001, through June 30, 2002</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 529,630	\$ 96,478	\$ (433,152)	Finding 1
Total direct costs	529,630	96,478	(433,152)	
Indirect costs	167,257	11,597	(155,660)	Finding 3
Total direct and indirect costs	696,887	108,075	(588,812)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(35,950)	(50,941)	(14,991)	Finding 4
Subtotal - Enrollment Fee Collection	660,937	57,134	(603,803)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	172	172	—	
Staff training	215	215	—	
Adopt procedures, record and maintain records	—	—	—	
Waiving student fees	123,895	48,611	(75,284)	Finding 2
Reporting BOG fee waiver data to CCCCCO	72	72	—	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2001, through June 30, 2002 (continued)</u>				
Total direct costs	124,354	49,070	(75,284)	Finding 3
Indirect costs	39,271	5,899	(33,372)	
Total direct and indirect costs	163,625	54,969	(108,656)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(124,354)	(189,947)	(65,593)	Finding 4
Adjustment for unused portion of offsets ²	—	134,978	134,978	Finding 4
Subtotal - Enrollment Fee Waivers	39,271	—	(39,271)	
Total costs	700,208	57,134	(643,074)	
Less late filing penalty	—	(5,713)	(5,713)	
Total program costs	<u>\$ 700,208</u>	51,421	<u>\$ (648,787)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 51,421</u>		
<u>July 1, 2002, through June 30, 2003</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 532,896	\$ 83,650	\$ (449,246)	Finding 1
Total direct costs	532,896	83,650	(449,246)	
Indirect costs	155,925	10,766	(145,159)	Finding 3
Total direct and indirect costs	688,821	94,416	(594,405)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(34,964)	(51,488)	(16,524)	Finding 4
Subtotal - Enrollment Fee Collection	653,857	42,928	(610,929)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	179	179	—	
Staff training	186	186	—	
Waiving student fees	139,828	94,740	(45,088)	Finding 2
Reporting BOG fee waiver data to CCCCCO	74	74	—	
Total direct costs	140,267	95,179	(45,088)	
Indirect costs	41,042	12,250	(28,792)	Finding 3
Total direct and indirect costs	181,309	107,429	(73,880)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(140,267)	(207,915)	(67,648)	Finding 4
Adjustment for unused portion of offsets ²	—	100,486	100,486	Finding 4
Subtotal - Enrollment Fee Waivers	41,042	—	(41,042)	
Total costs	694,899	42,928	(651,971)	
Less late filing penalty	—	(4,293)	(4,293)	
Total program costs	<u>\$ 694,899</u>	38,635	<u>\$ (656,264)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 38,635</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2003, through June 30, 2004</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 642,859	\$ 73,063	\$ (569,796)	Finding 1
Total direct costs	642,859	73,063	(569,796)	
Indirect costs	181,029	10,126	(170,903)	Finding 3
Total direct and indirect costs	823,888	83,189	(740,699)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(69,659)	(76,364)	(6,705)	Finding 4
Subtotal - Enrollment Fee Collection	754,229	6,825	(747,404)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	200	200	—	
Staff training	287	287	—	
Waiving student fees	93,030	86,100	(6,930)	Finding 2
Reporting BOG fee waiver data to CCCCCO	82	82	—	
Total direct costs	93,599	86,669	(6,930)	
Indirect costs	26,357	12,012	(14,345)	Finding 3
Total direct and indirect costs	119,956	98,681	(21,275)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(93,608)	(252,868)	(159,260)	Finding 4
Adjustment for unused portion of offsets ²	—	154,187	154,187	Finding 4
Subtotal - Enrollment Fee Waivers	26,348	—	(26,348)	
Total costs	780,577	6,825	(773,752)	
Less late filing penalty	—	(683)	(683)	
Total program costs	\$ 780,577	6,142	\$ (774,435)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 6,142		
<u>July 1, 2004, through June 30, 2005</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 407,028	\$ 43,264	\$ (363,764)	Finding 1
Total direct costs	407,028	43,264	(363,764)	
Indirect costs	138,837	11,422	(127,415)	Finding 3
Total direct and indirect costs	545,865	54,686	(491,179)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(109,137)	(96,726)	12,411	Finding 4
Adjustment for unused portion of offsets ²	—	42,040	42,040	Finding 4
Subtotal - Enrollment Fee Collection	436,728	—	(436,728)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2004, through June 30, 2005 (continued)</u>				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	390	390	—	
Staff training	988	988	—	
Waiving student fees	176,511	116,698	(59,813)	Finding 2
Reporting BOG fee waiver data to CCCCCO	88	88	—	
Total salaries and benefits	177,977	118,164	(59,813)	
Indirect costs	60,708	31,195	(29,513)	Finding 3
Total direct and indirect costs	238,685	149,359	(89,326)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(177,977)	(319,807)	(141,830)	Finding 4
Adjustment for unused portion of offsets ²	—	170,448	170,448	Finding 4
Subtotal - Enrollment Fee Waivers	60,708	—	(60,708)	
Total costs	497,436	—	(497,436)	
Less late filing penalty	—	—	—	
Total program costs	<u>\$ 497,436</u>	—	<u>\$ (497,436)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2005, through June 30, 2006</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	<u>\$ 395,306</u>	<u>\$ 39,528</u>	<u>\$ (355,778)</u>	Finding 1
Total direct costs	395,306	39,528	(355,778)	
Indirect costs	121,280	10,384	(110,896)	Finding 3
Total direct and indirect costs	516,586	49,912	(466,674)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(103,707)	(97,219)	6,488	Finding 4
Adjustment for unused portion of offsets ²	—	47,307	47,307	Finding 4
Subtotal - Enrollment Fee Collection	412,879	—	(412,879)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Waiving student fees	142,518	109,224	(33,294)	Finding 2
Total direct costs	142,518	109,224	(33,294)	Finding 3
Indirect costs	43,725	28,693	(15,032)	
Total direct and indirect costs	186,243	137,917	(48,326)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(142,518)	(292,989)	(150,471)	Finding 4
Adjustment for unused portion of offsets ²	—	155,072	155,072	Finding 4
Subtotal - Enrollment Fee Waivers	43,725	—	(43,725)	
Total costs	456,604	—	(456,604)	
Less late filing penalty	—	—	—	
Total program costs	<u>\$ 456,604</u>	—	<u>\$ (456,604)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2006, through June 30, 2007</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 345,625	\$ 34,544	\$ (311,081)	Finding 1
Total direct costs	345,625	34,544	(311,081)	
Indirect costs	119,517	10,509	(109,008)	Finding 3
Total direct and indirect costs	465,142	45,053	(420,089)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(103,999)	(95,796)	8,203	Finding 4
Adjustment for unused portion of offsets ²	—	50,743	50,743	Finding 4
Subtotal - Enrollment Fee Collection	361,143	—	(361,143)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Waiving student fees	84,657	115,082	30,425	Finding 2
Total direct costs	84,657	115,082	30,425	
Indirect costs	29,275	35,008	5,733	Finding 3
Total direct and indirect costs	113,932	150,090	36,158	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(84,657)	(303,417)	(218,760)	Finding 4
Adjustment for unused portion of offsets ²	—	153,327	153,327	Finding 4
Subtotal - Enrollment Fee Waivers	29,275	—	(29,275)	
Total costs	390,418	—	(390,418)	
Less late filing penalty	—	—	—	
Total program costs	<u>\$ 390,418</u>	—	<u>\$ (390,418)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2007, through June 30, 2008</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 421,554	\$ 30,738	\$ (390,816)	Finding 1
Total direct costs	421,554	30,738	(390,816)	
Indirect costs	145,774	8,899	(136,875)	Finding 3
Total direct and indirect costs	567,328	39,637	(527,691)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(92,190)	(74,349)	17,841	Finding 4
Adjustment for unused portion of offsets ²	—	34,712	34,712	Finding 4
Subtotal - Enrollment Fee Collection	475,138	—	(475,138)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2007, through June 30, 2008 (continued)</u>				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Waiving student fees	94,667	126,151	31,484	Finding 2
Total direct costs	94,667	126,151	31,484	
Indirect costs	32,736	36,521	3,785	Finding 3
Total direct and indirect costs	127,403	162,672	35,269	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(94,667)	(296,399)	(201,732)	Finding 4
Adjustment for unused portion of offsets ²	—	133,727	133,727	Finding 4
Subtotal - Enrollment Fee Waivers	32,736	—	(32,736)	
Total program costs	<u>\$ 507,874</u>	—	<u>\$ (507,874)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2008, through June 30, 2009</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Calculating and collecting enrollment fees	\$ 528,379	\$ 32,583	\$ (495,796)	Finding 1
Total direct costs	528,379	32,583	(495,796)	
Indirect costs	162,741	9,283	(153,458)	Finding 3
Total direct and indirect costs	691,120	41,866	(649,254)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(84,185)	(84,914)	(729)	
Adjustment for unused portion of offsets ²	—	43,048	43,048	Finding 4
Subtotal - Enrollment Fee Collection	606,935	—	(606,935)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Waiving student fees	113,194	151,084	37,890	Finding 2
Total direct costs	113,194	151,084	37,890	
Indirect costs	34,864	43,044	8,180	Finding 3
Total direct and indirect costs	148,058	194,128	46,070	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(113,195)	(267,973)	(154,778)	Finding 4
Adjustment for unused portion of offsets ²	—	73,845	73,845	Finding 4
Subtotal - Enrollment Fee Waivers	34,863	—	(34,863)	
Total costs	641,798	—	(641,798)	
Less late filing penalty	—	—	—	
Total program costs	<u>\$ 641,798</u>	—	<u>\$ (641,798)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2009, through June 30, 2010</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare district policies and procedures	\$ 646	\$ 646	\$ —	
Staff training	646	646	—	
Calculating and collecting enrollment fees	328,918	66,743	(262,175)	Finding 1
Total direct costs	330,210	68,035	(262,175)	
Indirect costs	101,705	21,533	(80,172)	Finding 3
Total direct and indirect costs	431,915	89,568	(342,347)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(69,444)	(81,933)	(12,489)	Finding 4
Subtotal - Enrollment Fee Collection	362,471	7,635	(354,836)	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	646	646	—	
Staff training	646	646	—	
Waiving student fees	136,042	117,894	(18,148)	Finding 2
Reporting BOG fee waiver data to CCCCCO	1,292	1,292	—	
Total direct costs	138,626	120,478	(18,148)	
Indirect costs	42,697	38,130	(4,567)	Finding 3
Total direct and indirect costs	181,323	158,608	(22,715)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(181,323)	(298,954)	(117,631)	Finding 4
Adjustment for unused portion of offsets ²	—	140,346	140,346	
Subtotal - Enrollment Fee Waivers	—	—	—	
Total costs	362,471	7,635	(354,836)	
Less late filing penalty	—	(764)	(764)	
Total program costs	<u>\$ 362,471</u>	6,871	<u>\$ (355,600)</u>	
Less amount paid by the State				
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 6,871</u>		
<u>July 1, 2010, through June 30, 2011</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare district policies and procedures	\$ 646	\$ 646	\$ —	
Staff training	647	647	—	
Calculating and collecting enrollment fees	295,980	60,123	(235,857)	Finding 1
Total direct costs	297,273	61,416	(235,857)	
Indirect costs	101,132	19,248	(81,884)	Finding 3
Total direct and indirect costs	398,405	80,664	(317,741)	
Less enrollment fee collection offsets	(51,930)	(66,719)	(14,789)	Finding 4
Subtotal - Enrollment Fee Collection	346,475	13,945	(332,530)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>July 1, 2010, through June 30, 2011 (continued)</u>				
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	646	646	—	
Staff training	646	646	—	
Waiving student fees	144,485	125,274	(19,211)	Finding 2
Reporting BOG fee waiver data to CCCCCO	1,292	1,292	—	
Total direct costs	147,069	127,858	(19,211)	
Indirect costs	50,033	40,070	(9,963)	Finding 3
Total direct and indirect costs	197,102	167,928	(29,174)	
Less offsetting savings and reimbursements:				
Enrollment fee waivers	(197,102)	(342,177)	(145,075)	Finding 4
Adjustment for unused portion of offsets ²	—	174,249	174,249	Finding 4
Subtotal - Enrollment Fee Waivers	—	—	—	
Total program costs	<u>\$ 346,475</u>	13,945	<u>\$ (332,530)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 13,945</u>		
<u>Summary: July 1, 1998, through June 30, 2011</u>				
<i>Enrollment fee collection:</i>				
Direct costs - salaries and benefits				
Prepare district policies and procedures	\$ 1,292	\$ 1,292	\$ —	
Staff training	1,293	1,293	—	
Calculating and collecting enrollment fees	5,632,440	782,036	(4,850,404)	
Total direct costs	5,635,025	784,621	(4,850,404)	
Indirect costs	1,842,050	151,960	(1,690,090)	
Total direct and indirect costs	7,477,075	936,581	(6,540,494)	
Less offsetting savings and reimbursements:				
Enrollment fee collection	(864,136)	(923,045)	(58,909)	
Adjustment for unused portion of offsets ²	—	217,850	(217,850)	
Total - Enrollment fee collection	<u>6,612,939</u>	<u>231,386</u>	<u>(6,381,553)</u>	
<i>Enrollment fee waivers:</i>				
Direct costs - salaries and benefits				
Prepare policies and procedures	2,633	2,633	—	
Staff training	3,201	3,201	—	
Waiving student fees	1,465,737	1,174,657	(291,080)	
Reporting BOG fee waiver data to CCCCCO	3,034	3,034	—	
Total direct costs	1,474,605	1,183,525	(291,080)	
Indirect costs	479,881	292,614	(187,267)	
Total direct and indirect costs	1,954,486	1,476,139	(478,347)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment ¹	Reference
<u>Summary: July 1, 1998, through June 30, 2011 (continued)</u>				
Less offsetting saving and reimbursements:			—	
Enrollment fee waivers	(1,577,602)	(3,091,516)	(1,513,914)	
Adjustment for unused portion of offsets ²	—	1,615,377	(1,615,377)	
Total - enrollment fee waivers	376,884	—	(3,607,638)	
Total costs	6,989,823	231,386	(6,758,437)	
Less late filing penalty	—	(21,745)	(21,745)	
Total program costs	<u>\$ 6,989,823</u>	209,641	<u>\$ (6,780,182)</u>	
Less amount paid by the State		(45,554)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 164,087</u>		

¹ See the Findings and Recommendations section.

² Offsetting savings and reimbursements are limited to total allowable direct and indirect costs and are calculated separately for enrollment fee collection and enrollment fee waivers.

³ The district's claims included \$460,747 in late penalties (\$44,729 for FY 1998-99, \$54,351 for FY 1999-2000, \$62,026 for FY 2000-01, \$70,021 for FY 2001-02, \$69,490 for FY 2002-03, \$78,058 for FY 2003-04, \$49,744 for FY 2004-05, \$10,000 for FY 2005-06, \$2,328 for FY 2006-07, \$10,000 for FY 2008-09, and \$10,000 for FY 2009-10). The SCO assesses the penalty on allowable costs for claims filed after the filing deadline specified in the Controller's claiming instructions. FY 1998-99 through FY 2004-05 claims were initial reimbursement claims filed after the filing deadline and subject to the late penalty specified in Government Code section 17561, subdivision (d)(3), equal to 10% of allowable costs, with no maximum penalty. FY 2005-06 through FY 2006-07 and FY 2008-09 through FY 2009-10 claims were annual reimbursement claims filed after the filing deadline and subject to the late penalty specified in Government Code section 17568 equal to 10% of allowable costs, not to exceed \$10,000.

Findings and Recommendations

FINDING 1— Enrollment fee Collection: Calculating and Collecting Enrollment Fees cost component – unallowable ongoing costs

The district claimed \$5,632,440 in salaries and benefits for the Calculating and Collecting Enrollment Fees cost component during the audit period. We found that \$782,036 is allowable and \$4,850,404 is unallowable. The costs are unallowable because the district estimated the amount of time required to perform the reimbursable activities. In addition, we noted variations in the number of students used in the district's calculations based on the student enrollment data reported to us by the California Community College Chancellor's Office (CCCCO) and the number of students who paid their enrollment fees online rather than in person, based on information provided to us by the district.

The following table summarizes the overstated ongoing costs related to calculating and collecting enrollment fees by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and Benefits:			
1998-99	\$ 347,086	\$ 64,290	\$ (282,796)
1999-2000	390,263	72,027	(318,236)
2000-01	466,916	85,005	(381,911)
2001-02	529,630	96,478	(433,152)
2002-03	532,896	83,650	(449,246)
2003-04	642,859	73,063	(569,796)
2004-05	407,028	43,264	(363,764)
2005-06	395,306	39,528	(355,778)
2006-07	345,625	34,544	(311,081)
2007-08	421,554	30,738	(370,816)
2008-09	528,379	32,583	(495,796)
2009-10	328,918	66,743	(262,175)
2010-11	295,980	60,123	(235,857)
Total	<u>\$ 5,632,440</u>	<u>\$ 782,036</u>	<u>\$ (4,850,404)</u>

The parameters and guidelines (section IV.A.2) allow ongoing activities related to costs for calculating and collecting the student enrollment fee for each student enrolled, with the exception of nonresidents and special part-time students cited in Government Code section 76300, subdivision (f), for the following six reimbursable activities:

- i. Referencing student accounts and records to determine course workload, status of payments, and eligibility for fee waiver. Printing a list of enrolled courses. **(Activity 1)**
- ii. Calculating the total enrollment fee to be collected. Identifying method of payment. Collecting cash and making change as necessary. Processing credit card and other non-cash payment transactions (however, any fees that may be charged to a community college district by a credit card company or bank are not reimbursable). Preparing a receipt for a payment received. **(Activity 2)**
- iii. Answering student's questions regarding enrollment fee collection or referring them to the appropriate person for an answer. **(Activity 3)**

- iv. Updating written and computer records for the enrollment fee information and providing a copy to the student. Copying and filing enrollment fee documentation. **(Activity 4)**
- v. Collecting delinquent enrollment fees, including written or telephonic collection notices to students, turning accounts over to collection agencies, or small claims court action. **(Activity 5)**
- vi. For students who establish fee waiver eligibility after the enrollment fee has been collected, providing a refund or enrollment fees paid and updating student and district records as required. (Refund process for change in program is not reimbursable). **(Activity 6)**

The program's parameters and guidelines (section IV–Reimbursable Activities) state:

To be eligible for mandated cost reimbursement, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records, time logs, sign-in sheets, invoices, and receipts.

Salaries and Benefits

For fiscal year (FY) 1998-99 through FY 2010-11, the district claimed salaries and benefits for the six reimbursable activities under the Calculating and Collecting Enrollment Fees cost component using time allowances developed from the estimated time it took staff to complete various activities as recorded on the employees' annual survey forms. Employees estimated the average time in minutes it took them to perform the six reimbursable activities per student per year on certification forms developed by the district's mandated cost consultant. The district did not provide any source documentation based on actual data to support the estimated time allowances.

The following table summarizes the minutes claimed for reimbursable activities 1 through 6:

Reimbursable Activity	Claimed	
	FY 1998-99 through FY 2008-09	FY 2009-10 and FY 2010-11
1 Referencing Students Accounts	9.50	3.00
2 Calculating the Fee	2.00	3.00
3 Answering Questions	15.00	3.00
4 Updating Records	2.00	2.00
Subtotal-Activities 1-4	28.50	11.00
5 Collecting Delinquent Fees	5.00	1.00
6 Providing Refunds	—	2.00
Subtotal-Activities 5-6	5.00	3.00
Total Claimed - Activities 1-6	33.50	14.00

As the mandated activities took place at the district during the audit period, we assessed whether or not the time estimates cited by district staff were reasonable. We held discussions with various district representatives in order to determine the procedures that district staff followed to perform the reimbursable activities. We observed district staff in the Admissions and Records Office (where student enrollment fees are collected) and documented the average time increments spent by district staff to perform these activities based on our observations.

In applying the time allowances, the district did not report the correct number of students related to the various reimbursable activities. We recalculated reimbursable activities using the correct number of students (multiplier). We also made adjustments to the average productive hourly rates that were used in the district's claims. Based on this information, we found that the district overstated salaries and benefits by \$5,037,640 for the audit period.

Activities 1 through 4—Activity 1-Referencing student accounts, Activity 2-Calculating and collecting the fee, Activity 3-Answering students' questions, Activity 4-Updating student records

Time Increments

Using certification forms developed by the district's mandated cost consultant, district employees estimated the time required to perform the reimbursable activities. Based on these certifications, the district developed time allowances of 33.5 minutes per student for its FY 1998-99 through FY 2008-09 claims, and 14.00 minutes for its FY 2009-10 and FY 2010-11 claims. Based on our observations, we concluded that the time allowances claimed for these activities for these years were overstated.

We held discussions with various district representatives during the audit in order to determine the procedures that district staff followed to perform the reimbursable activities. We observed district staff in the Admissions and Records Office performing the reimbursable activities as well as other non-mandated activities. Over several days, we observed 284 payment transactions processed by district staff. Of these, 107 involved the payment of enrollment fees encompassing Activities 1 through 4, totaling 386 minutes. The average time to perform all four activities was 3.61 minutes or 0.90 minutes per activity. The Office Supervisors were encouraged to watch over the auditors while our observations were being documented. We documented the average time increments spent by district staff to perform the reimbursable activities based on our observations.

We reviewed the results of our observations with the Director of Fiscal Services during a status meeting held on July 19, 2012. At that time, we advised the Director that we would apply the time increments observed for reimbursable Activities 1 through 4 based upon our observations. We also held a subsequent telephone conference with the Director on February 7, 2013. One of the topics addressed during that conference was the need for the district to provide some kind of documentary evidence to support its request to consider additional time to conduct

Activities 1 through 4 during the earlier years of the audit period. We discussed various options for information the district could provide to support claimed costs.

During the exit conference that we held with district representatives on January 23, 2014, we noted that the district had not yet provided any additional information for us to consider. During the exit conference and subsequent to the exit conference, we again discussed with district representatives various types of information that could support claimed costs.

The district's response to the draft audit report, dated March 13, 2014, contained additional information related to the processes in place during the earlier years of the audit period to calculate and collect enrollment fees from students. Based on the information that the district provided, we adjusted the allowable average time increments to perform reimbursable activities 2 and 4 from 0.9 minutes to 2.00 minutes. The specifics of the district's response and our comments are provided at the end of this finding in the sections labeled "District's Response" and "SCO's Comments."

Multiplier Calculation

For Activities 1 through 4, the district claimed costs by multiplying the number of students (multiplier) by a uniform time allowance and an annual average productive hourly rate. In determining student enrollment, the district used student enrollment statistics provided by the district's Network Administrator for FY 1998-99 through FY 2005-06, and statistics provided by the Dean of Admissions and Records for FY 2006-07 through FY 2010-11. We found that the district did not deduct ineligible non-resident and special admit students (students who attend a community college while in high school pursuant to Education Code section 76001).

For Activity 1, the district used its numbers of total enrolled students as the multiplier in all years of the audit period. For Activity 2 through 4, we found that the district did not follow a consistent methodology in applying student enrollment numbers to the reimbursable activities. For activity 2, the district used its own statistics for the number of students who paid enrollment fees, except that it used total enrolled students for FY 2008-09. For activity 3, the district used the number of students that paid enrollment fees for FY 1998-99 through FY 2006-07, and total enrolled students for FY 2007-08 through FY 2010-11. For Activity 4, the district used total enrolled students for FY 1998-99 through FY 2006-07, and FY 2008-09, and used the number of students that paid enrollment fees for FY 2007-08, and FY 2009-10 through FY 2010-11.

We updated the district's calculations of eligible students for Activities 1 and 3 based on the number of students enrolled that it reported to the CCCCCO, less non-resident students and special admit students. The CCCCCO's management information system (MIS) identifies enrollment information based on student data that the district reported. The CCCCCO identifies the district's enrollment based on CCCCCO's MIS data element STD 7, codes A through G. The CCCCCO eliminates any duplicate students by term based on their Social Security numbers.

We also updated the district's calculations of eligible students for Activities 2 and 4 by deducting the number of BOGG recipients from reimbursable student enrollment confirmed by the CCCCCO. The CCCCCO identifies the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F. In addition, we added the number of refunds claimed for students who paid their enrollment fees and were subsequently granted a BOGG fee waiver and deducted students who paid their enrollment through the district's online system, based on information the district provided.

For the audit period, the district provided a breakdown of the number of students that paid their enrollment fees using the district's online system and in person from FY 2004-05 through FY 2010-11. The district supported that students were able to pay their enrollment fees online starting in FY 2004-05. Based on information provided by the district, we calculated the percentage of enrollment fees paid in person at the Admissions and Records Office by dividing the number of fees paid in person by the total number of fees paid. We applied the percentage we calculated to the net enrollment number (the number of students enrolled less non-resident students, special admit students and BOGG fee waiver recipients) to compute the number of enrollment fees paid in person. We then included the number of refunds claimed for students who paid their enrollment fees and were subsequently granted a BOGG fee waiver. For fiscal years prior to FY 2004-05, allowable costs were based on all eligible students paying their enrollment fees in person at the Admissions and Records Office.

Activity 5—Collecting Delinquent Enrollment Fees

Time Increments

Using certification forms developed by the district's mandated cost consultant, district employees estimated the time required to perform reimbursable Activity 5. Based on these certifications, the district developed time allowances per student account of 5.0 minutes for FY 1998-99 through FY 2008-09 claims, and 1.0 minute for FY 2009-10 through FY 2010-11 claims. We observed a Student Services Assistant in the district's Admissions and Records Office run a batch process using the district's software system to identify students that had not paid enrollment fees and needed to be dropped. Based on our observations, we concluded that the time required to perform this activity is 2.51 minutes. The district did not identify any other tasks or costs associated with the reimbursable activity of collecting delinquent enrollment fees.

The district's response to the draft audit report, dated March 13, 2014, contained additional information related to processes in place during the earlier years of the audit period to collect delinquent enrollment fees from students. As a result, we adjusted the allowable average time increment from 2.51 minutes to 5.00 minutes for FY 1998-99 through FY 2008-09. The specifics of the district's response and our comments are provided at the end of this finding in the sections labeled "District's Response" and "SCO's Comments."

Multiplier Calculation

For Activity 5, the district provided the number of delinquent student accounts processed during the audit period. However, we did not accept the numbers provided by the district for delinquent student accounts. We noted that the number of students claimed for this activity was greater than the number of students for which fees were calculated and collected in some years and was never less than 48% of students from whom fees were calculated and collected in the other fiscal years. The district was asked about this issue in an email sent to the Dean of Admissions and Records on June 18, 2013. However, the Dean did not respond to our request for clarification of the multipliers claimed. Therefore, we concluded that the multipliers claimed for this activity are excessive and the costs claimed for Activity 5 are unallowable.

Activity 6—Providing a refund for students who establish fee waiver eligibility after the enrollment fee has been collected

Time Increments

The district claimed costs in FY 2009-10 and FY 2010-11 based on a time increment of 2 minutes. District staff indicated that the reimbursable activity occurs in three phases. Phase one starts when a student presents a refund slip (“Pink Slip”) to the technician at the window. The technician inputs student information into People Soft, places the “Pink Slip” in a drawer, and informs the student of an estimated time when they will receive their refund. The auditors did not observe phase two and phase three of the full refund process. Based on our observation and discussions with district staff, we believe the time increment claimed for this activity is understated. We used the time increment that the district claimed for this activity (2.0 minutes) to compute allowable costs.

Multiplier Calculation

For Activity 6, the district provided and we accepted the number of refunds processed for students who established fee waiver eligibility after paying their enrollment fees.

Calculation of Time Increments Adjustment

The following table summarizes the minutes claimed and allowable for reimbursable Activities 1 through 6:

Reimbursable Activity	Minutes Claimed		Minutes Allowable		Audit Adjustments	
	FY 1998-99 through FY 2008-09	FY 2009-10 and FY 2010-11	FY 1998-99 through FY 2008-09	FY 2009-10 and FY 2010-11	FY 1998-99 through FY 2008-09	FY 2009-10 and FY 2010-11
1	9.50	3.00	0.90	0.90	(8.60)	(2.10)
2	2.00	3.00	2.00	0.90	—	(2.10)
3	15.00	3.00	0.91	0.91	(14.09)	(2.09)
4	2.00	2.00	2.00	0.90	—	(1.10)
Subtotal - Activities 1-4	28.50	11.00	5.81	3.61	(22.69)	(7.39)
5	5.00	1.00	5.00	2.51	—	1.51
6	—	2.00	2.00	2.00	2.00	0.00
Subtotal - Activities 5-6	5.00	3.00	7.00	4.51	2.00	1.51
Totals - Activities 1-6	33.50	14.00	12.81	8.12	(20.69)	(5.88)

Note: Numbering is used to facilitate referencing to individual reimbursable activities.

Calculation of Multiplier Adjustment

The following table summarizes the claimed, allowable, and adjustment amounts for the multiplier for each reimbursable activity that took place at the district during the audit period for reimbursable Activities 1 through 6:

Reimbursable Activity	Claimed Multiplier	Allowable Multiplier	Adjusted Multiplier
1	796,477	683,548	(112,929)
2	444,345	284,767	(159,578)
3	554,245	683,548	129,303
4	686,568	284,767	(401,801)
5	313,498	—	(313,498)
6	2,370	2,370	—
	2,797,503	1,939,000	(858,503)

Productive Hourly Rates

The district overstated the average productive hourly rate used for Activities 1 through 6 in its claim for FY 2003-04. As noted in Finding 5, the district provided support for a lower productive hourly rate (\$19.42) than the one used in its claim for that year (\$26.99). We calculated allowable costs using the lower productive hourly rate that the district supported.

Calculation of Hours Adjustments

We multiplied the allowable minutes per activity by the multiplier for the reimbursable activities (as identified in the table above) to compute the number of allowable hours for reimbursable Activities 1 through 6.

The following table summarizes the claimed and allowable hours for the audit period:

Reimbursable Activity	Claimed Hours	Allowable Hours	Adjusted Hours
1	112,365.90	10,253.20	(102,112.70)
2	15,594.60	9,313.65	(6,280.95)
3	113,189.60	10,367.10	(102,822.50)
4	22,885.60	9,313.65	(13,571.95)
5	22,843.60	—	(22,843.60)
6	79.00	79.00	—
	<u>286,958.30</u>	<u>52,441.30</u>	<u>(234,517.00)</u>

Calculation of Costs by Reimbursable Activities

For Activities 1 and 3, we multiplied the allowable minutes, based on our observations of the reimbursable activities being performed (.90 minutes for activity 1 and 0.91 minutes for activity 3) by net student enrollment to compute the number of hours spent to perform the activities for FY 1998-99 through FY 2010-11. We then multiplied the hours spent by the audited average productive hourly rates to compute allowable costs for salaries and benefits. We calculated net student enrollment by excluding non-residents and special part-time students from total student enrollment. The CCCCCO's management information system (MIS) identifies enrollment information based on student data that the district reported. The CCCCCO identifies the district's enrollment based on the CCCCCO's MIS data element STD 7, codes A through G. The CCCCCO eliminates any duplicate students based on their Social Security numbers. We also took into account the number of students who paid their enrollment fees using the district's online system or by telephone based on a report that was prepared for us by district staff.

For Activities 2 and 4, we multiplied the allowable minutes by the adjusted net student enrollment to compute the number of hours spent to perform the activities for FY 1998-99 through FY 2010-11. For FY 1998-99 through FY 2008-09, 2.0 minutes were allowable based on additional supporting information provided by the district. For FY 2009-10 and FY 2010-11, 0.9 minutes were allowable based on our observations of the reimbursable activities being performed using the district's current processes in place. We then multiplied the hours spent by the audited productive hourly rates to calculate allowable costs for salaries and benefits. To compute adjusted net student enrollment, we deducted from net student enrollment the number of students who were exempt from paying enrollment fees because they received a BOGG fee waiver. We obtained the number of students in the district who received BOGG fee waivers each year from the CCCCCO based on data the district reported. The CCCCCO identifies the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F.

We applied the audited average productive hourly rates to the allowable hours per reimbursable activity. We found that salaries and benefits totaling \$782,036 are allowable and \$4,850,404 is unallowable.

The following table summarizes the claimed and allowable salary and benefit costs by reimbursable activity for the audit period:

Reimbursable Activity	Salaries and Benefits Claimed	Salaries and Benefits Allowable	Audit Adjustment
1	\$ 2,217,242	\$ 212,999	\$ (2,004,243)
2	329,725	175,426	(154,299)
3	2,183,352	215,366	(1,967,986)
4	459,958	175,426	(284,532)
5	439,344	—	(439,344)
6	2,819	2,819	—
	<u>\$ 5,632,440</u>	<u>\$ 782,036</u>	<u>\$ (4,850,404)</u>

Recommendation

Effective July 1, 2012, the district chose to accept block grant funding pursuant to Government Code section 17581.7. Accordingly, the district is not eligible to submit a mandate reimbursement claim for any program listed in the block grant for the opted-in years, which includes the Enrollment Fee Collection and Waivers Program. The district will also not be eligible to file reimbursement claims in subsequent years for which it chooses the block grant option for programs listed in the block grant. Should the district subsequently decide to file mandated cost claims rather than accept block grant funds, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District's Response

This audit's conclusions were based on current observations of processes in use at Cerritos College during 2012. However, the claims submitted by the college from 1998-99 through 2008-09 were based on past operational processes and technologies that required manual activities and extensive research that were more time consuming than those that presently occur. A significant indicator of the change in the time required to process enrollment fee collections and cashier functions can be seen in the significant reduction in per transaction claims from 33 ½ minutes in 1998-99 through 2008-09 to 14 minutes during 2009-10 and 2010-11 when the system improved. The following information describes these circumstances in greater detail.

From 1998-99 through 2008-09, the Admissions and Records office was on a student management system that was not a relational database. When conducting the following mandated activities the time required to serve students was much greater than today due to the inadequate technologies in use at that time.

- referencing student accounts
- calculating the fee

- answering questions
- providing refunds
- collecting delinquent fees

The student management system was very basic during this time period. The referencing of student accounts was conducted manually. When answering questions like the calculation of multiple fees and referencing student accounts, extensive research was required such as reviewing microfilm and microfiche, making phone calls, reviewing paper reports and source documentation, and seeking assistance from other departments. These activities would take up to 1 hour and sometimes cross over two or three days in order to gain all required information to clear the student of debt through the collection of fees. Once the fees were collected, individual receipts had to be hand written so that the monetary credit was posted to the correct debt. The fee collection process was not automated, and it was cumbersome and time consuming.

In the summer of 2005, Cerritos College implemented PeopleSoft 8.0 Enterprise Resource Planning software. This system helped to relate various aspects of student administration. Operationally, Student Financials was added to the responsibility of Admissions and Records in order to make fee collection more streamlined for the student and the college. However, the software system was extremely detail- oriented and required extensive collaboration amongst the employees of Information Technology, Admissions and Records, and Fiscal Services departments in order to process enrollment fee collections. Additionally, new processes were required. For example, cashiering “windows” (electronic link between enrollment and cashiering) had to be open in order to process, and if the individual cashier/end user did not have an open window to collect fees then student fees would be collected but would not post. Subsequently, the cashier would have to take time to open the window and make sure that the recently collected fees were re-posted correctly to the student account. This process would take 15 to 20 minutes per transaction to complete. This was a common practice as the system was very new and difficult to learn.

Further, the student fee collection was based on “item types” that had to be linked to accounts within the general fund. This required extensive review of each student account to ensure that fees were properly credited. Also with the new PeopleSoft product, in-person and online fee collection via credit card became possible. This added additional components to the student fee collection process such as answering questions and refunding of fees (as our credit card system is through a third party). With the addition of credit card processing, edits to account postings became a daily practice. Specifically, while the student paid, the posting of the fee and referencing of the student account became more time consuming and technically challenging.

The steps taken to process enrollment fee collection and cashiering functions during this time period were as follows:

ENROLLMENT FEE COLLECTION AND CASHIER FUNCTION

CODE 11 – Referencing the students account or records – List student's courses, status of payments, and waiver eligibility, and printing out a list of enrolled courses. **Average time to process per student was 9 ½ minutes.**

- Print-out daily large amounts of receipts from online and telephone payments.
- Fold and stuff receipts in envelopes. Forward receipts to mail-room for postage stamps.
- Reply to correspondence regarding student class enrollment and tuition by telephone or by written communication.
- Answer telephone inquiries regarding student tuition fees and waivers.
- Support long lines of students with inquiries related to tuition fees and waivers.
- Print class list for in-person students.
- Discuss payment options, due dates, and waiver options.

CODE 12 – Calculating the enrollment, collect the payment or receivable, update student account/record, and print out receipt/course list/ other report. Average time to process per student was 2 minutes.

- Procedures when collecting tuition:
 1. Request student's identification.
 2. Provide student with a payment form.
 3. Enter student identification number into the "REGS" menu in the Legacy system.
 4. Review and verify student's study list.
 - a. If adjustments are required, provide student with a change of program form.
 - b. Make necessary adjustments in ALPHA computer system.
 5. Review tuition with student and updated fee waivers.
 6. List the corresponding charges accordingly on fee payment form.
 7. Collect money from student.
 8. Verify amount collected.
 - a. Checks – Print DL's number and student telephone number on check. Verify written amount. Initial reverse side of personal check. Stamp backside of the personal check with Cerritos College endorsement stamp. Place checks in Lock box.
 - b. Cash – Double count cash in the presence of the student. Mark \$20 bills or larger with counterfeit pen. Place money in lock box and retrieve change. Double count change in the presence of the student.
 9. Enter currency type and amount of payment in Alpha system.
 10. Complete fee payment form. Indicate what type of currency was collected.
 11. Initial and date fee payment form.
 12. Retrieve receipt from shared printer.
 13. Review and verify transaction with student.
 14. Reconcile fees collected.
- Prepare deposit daily and bag for armored truck pick up.

- Print-out daily large amounts of receipts from online and telephone payments.
- Prepare invoices for contract student.

CODE 13 – Answering Questions and/or referring student to the appropriate person for an answer.

Average time to process per student was 15 minutes.

- Reply to correspondence regarding student class enrollment and tuition by telephone or by written communication.
- Answer telephone inquiries regarding student tuition fees and waivers.
- Support long lines of students with inquiries related to tuition fees and waivers.
- Refer students to Financial Aid, Counseling, and Division Offices.
- Refer students to Fiscal Services to inquire about refunds and/or to process refunds.

CODE 14 – Updating Student File for the enrollment fee information, and providing a copy to the student.

Average time to process per student was 2 minutes

- Print-out on a daily basis large amounts of receipts from online and telephone payments. (Any class adjustments will create a new receipt.)
- Fold and stuff receipts in envelopes. Forward receipts to mail-room for postage stamps.
- Assist in-person students with class adjustments, update and print class lists. Collect new enrollment fees.
- Print class list for in-person students.

CODE 15 – Amounts Receivables/Delinquencies: Collecting enrollment fees due/delinquent (Telephone contact, written notices, collection agencies, small claims court, etc.). **Average time to process per student was 5 minutes.**

- Run reports for past due fees.
- Run process to place holds on student records.
- Collect payments for past due holds.
- Remove holds after posting delinquent payment.

CODE 16 – Refunds for students who later become eligible for waivers (not just course changes), explain the process, and update student account/record. **Average time to process per student was 2 minutes.**

- Process drop for student.
- Refer student to Fiscal Services for refund.
- Process refund in Legacy system.
- Run batch refund process and reports.
- Send refund report to Los Angeles County Office of Education (LACOE) to create refund checks.
- Receive and validate checks from LACOE.
- Insert checks in envelope and forward to the Mail-Room for postage stamps.

District Response to Recommendation

Effective July 1, 2012 Cerritos College has annually opted-in to block grant funding available under AB 1464 which provides apportionment in the amount of \$28 per FTES based on funded FTES.

SCO's Comment

Based on the district's response, we revised the calculations of average time for reimbursable Activity 2 (Calculate/Collect Enrollment Fees) and Activity 4 (Updating Student Records). As a result, allowable costs for the Calculating and Collecting Enrollment Fees cost component increased by \$187,236, from \$594,800 to \$782,036. In addition, the related allowable indirect costs increased by \$27,876, from \$124,085 to \$151,961.

We also updated the recommendation to indicate that the district opted-in to block grant funding effective July 1, 2012.

In its response to the draft audit report, the district expressed its belief that the processes which our auditors observed in order to determine allowable time increments for reimbursable Activities 1 through 6 should only be applicable to the district's claims for FY 2009-10 and FY 2010-11. The district explained that these are the years in which the computer system and processes that our auditors observed were in place. The district is requesting that we base allowable time on the time increments that were originally included in the district's claims for FY 1998-99 through FY 2008-09. As noted in the audit report, the time increments claimed were based on estimates of time to perform the reimbursable activities based on time survey results provided by district employees on forms provided by the district's mandated cost consultant.

As also noted in the audit report, we discussed, during a telephone conference on February 7, 2013, various alternatives to provide some kind of documentary evidence for us to consider as a basis for making adjustments to the allowable time increments. During the exit conference that we held with district representatives on January 23, 2014, we noted that the district had not provided any additional information for us to consider. During the exit conference and subsequent to the exit conference, we again discussed with district representatives various alternatives to provide documentary evidence.

The district subsequently provided in its response to the draft audit report the additional information that we requested relating to the processes in place during the earlier years of the audit period. The first two pages of the district's response provided general background information about the system and processes in place during FY 1998-99 through FY 2008-09 to calculate and collect enrollment fees. The district also explained the "Enrollment Fee Collection and Cashier Function" separately for reimbursable Activities 1 through 6. We will address our comments in the same order as presented by the district.

Code 11 – Referencing the students’ account or records

Code 11 is the district’s description of reimbursable Activity 1 (“Referencing student accounts and records to determine course workload, status of payments, and eligibility for fee waiver. Printing a list of enrolled courses”). The district requests that we apply the claimed average time allowance of 9.5 minutes to the allowable student multiplier for FY 1998-99 through FY 2008-09. In support of this request, the district provided a bulleted list consisting of seven sub-activities, as follows:

1. Print-out daily large amounts of receipts from online and telephone payments;
2. Fold and stuff receipts in envelopes. Forward receipts to mail-room for postage stamps;
3. Reply to correspondence regarding student class enrollment and tuition by telephone or by written communication;
4. Answer telephone inquiries regarding student tuition and waivers;
5. Support long lines of students with inquiries related to tuition fees and waivers;
6. Print class list for in-person students; and
7. Discuss payment options, due dates, and waiver options.

In reviewing the seven sub-activities listed above, we noted that sub-activities 1 and 2 involve the processing of receipts. These are activities that are included as part of either reimbursable activity 2 (Preparing a receipt for payment received) or reimbursable activity 4 (Providing a copy of updated enrollment fee information to the student). Sub-activities 3, 4, and 5 involve answering student questions regarding enrollment fee collection, which is part of reimbursable activity 3. However, answering questions about student class enrollment and/or student tuition fee waivers are not reimbursable activities under the Calculating and Collecting Enrollment Fees cost component. The reimbursable activity for fee waivers here is to provide the student with a yes or no answer that they are eligible for a fee waiver, in which case no enrollment fees would be collected. In order to make that determination, the student would have already had to submit a fee waiver application to the Financial Aid Office. In addition, the number of students waiting in line for service is not relevant when considering an average time *per student* to perform the reimbursable activity. Sub-activities 6 and 7 are properly included by the district as part of reimbursable Activity 1.

We determined that the additional information provided does not reasonably support adjusting the average time increment from 0.9 minutes to 9.5 minutes per student to perform the reimbursable activity.

Code 12 – Calculating the enrollment

Code 12 is the district's description of reimbursable Activity 2, which consists of calculating the total enrollment fee to be collected, processing various forms of student payments, and preparing a receipt for payment received. The district is requesting that we apply the claimed average time allowance of 2 minutes to the allowable student multiplier for FY 1998-99 through FY 2008-09. In support of this request, the district provided an extensive list of sub-activities, consisting of 17 items (refer to the district's response for the complete list).

In this instance, the district provided a step-by-step walk-through of what a student would have experienced and the specific steps that district staff would have completed to perform the reimbursable activity during the earlier years of the audit period. The detailed information infers that the district consulted with an employee or employees of the Admissions and Records Office that conducted these activities during that time period.

Based on the additional information provided, we determined that the district's request is reasonable and adjusted the average allowable time increment to perform reimbursable Activity 2 from 0.9 minutes to 2.0 minutes per student for FY 1998-99 through FY 2008-09. As a result, allowable salaries and benefits for reimbursable Activity 2 increased by \$93,618, from \$81,808 to \$175,426.

Code 13 – Answering Questions

Code 13 is the district's description of reimbursable Activity 3 ("Answering student's questions regarding enrollment fee collection or referring them to the appropriate person for an answer"). The district requests that we apply the claimed average time allowance of 15 minutes to the allowable student multiplier for FY 1998-99 through FY 2008-09. In support of this request, the district provided a bulleted list consisting of five sub-activities, as follows:

1. Reply to correspondence regarding student class enrollment and tuition by telephone or by written communication;
2. Answer telephone inquiries regarding student tuition fees and waivers;
3. Support long lines of students with inquiries related to tuition fees and waivers;
4. Refer students to Financial Aid, Counseling, and Division Offices; and
5. Refer students to Fiscal Services to inquire about refunds and/or to process refunds.

We also reviewed the generic description of activities performed that were included in the first two pages of the district's response to the draft audit report. In reviewing the additional information, we noted that sub-activity 1 above includes answering student questions about student class enrollment, which is not a reimbursable activity. Sub-activities 2 and 3 include answering student questions about tuition fee waivers, which are

also not reimbursable under this cost component. In addition, the number of students waiting in line to have their questions answered is not relevant to the average time spent *per student* to perform the reimbursable activity.

Based on the district's request, we determined that applying an average time increment of 15 minutes per student means that district staff in the Admissions and Records Office would have spent approximately 12,000 or more hours per year just answering student questions about enrollment fees and referring them to someone else when necessary. This analysis is based on student enrollment information for those years. This also means that every staff member in the Admissions and Records Office would have spent a significant portion of their annual productive hours every year just performing this one activity. While we agree with the district's assertion that it took longer for staff to answer students' questions during the first ten years of the audit period based on the systems and processes in place at that time, we determined that it is not reasonable that it took an average of 14.1 minutes longer *per student* to answer students' questions and refer them to others during that time period based on the information provided. We first advised the district of our observation results for this activity on July 19, 2012. We believe that the district had sufficient time to conduct its own time study during the course of the audit to determine the length of time required to answer students' enrollment fee questions in person, by telephone, and through written communications in order to provide its own actual cost documentation.

Code 14 – Updating Student File

Code 14 is the district's description of reimbursable activity 4 ("Updating written and computer records for the enrollment fee information and providing a copy to the student. Copying and filing enrollment fee documentation"). The district requests that we apply the claimed average time allowance of 2 minutes to the allowable student multiplier for FY 1998-99 through FY 2008-09. In support of this request, the district provided a bulleted list of sub-activities consisting of the following four items:

1. Print-out on a daily basis large amounts of receipts from online and telephone payments. (Any class adjustments will create a new receipt);
2. Fold and stuff receipts in envelopes. Forward receipts to mail-room for postage stamps;
3. Assist in-person students with class adjustments, update and print class lists. Collect new enrollment fees; and
4. Print class-list for in-person students.

We noted that sub-activity 1 was already included by the district in its response to support additional time for reimbursable Activity 1 (Referencing student accounts) and reimbursable activity 2 (Calculating and collecting the enrollment fee). In addition, sub-activities 2 and 4 were already included by the district to support additional time for reimbursable activity 1 (Referencing student accounts). For sub-activity

3 above, assisting students with class adjustments is not a reimbursable activity; however printing class lists is part of reimbursable Activity 1 (Referencing student accounts), and collecting new enrollment fees is part of reimbursable Activity 2 (Calculating and collecting the enrollment fee).

While we agree that printing out and providing receipts could be considered as updated computer records for the enrollment fee information provided to students, the information provided by the district in the first two pages of its response is more relevant to the support of additional time for this activity. Therefore, based on the additional information provided, we determined that the district's request was reasonable and adjusted the average allowable time increment to perform reimbursable Activity 4 from 0.9 minutes to 2.0 minutes per student for FY 1998-99 through FY 2008-09. As a result, allowable salaries and benefits for reimbursable activity 4 increased by \$93,618, from \$81,808 to \$175,426.

Code 15 – Amounts Receivables/Delinquencies

Code 15 is the district's description of reimbursable Activity 5 ("Collecting delinquent enrollment fees, including written or telephonic collection notices to students, turning accounts over to collection agencies, or small claims court for action"). The district requests that we apply the claimed average time allowance of 5 minutes to the allowable student multiplier for FY 1998-99 through FY 2008-09. In support of this request, the district provided a bulleted list of sub-activities consisting of the following four items:

1. Run reports for past due fees;
2. Run process to place holds on student records;
3. Collect payments for past due holds; and
4. Remove holds after posting delinquent payment.

We believe that the district's request to adjust the allowable time increment from 2.51 to 5 minutes to perform this reimbursable activity is reasonable based on the steps performed. However, as noted in the audit report, the issue for the reimbursable activity of collecting delinquent fees was not related to the time required to perform the activity. Rather, we questioned why the student multipliers claimed by the district for this activity ranged from 48% to over 100% of students that paid enrollment fees during the audit period. The district did not address this issue in its response to the draft audit report. Accordingly, the costs remain unallowable based on the unreasonable multipliers claimed by the district for this activity.

Code 16 – Refunds for students

Code 16 is the district's description of reimbursable Activity 6 ("For students who establish fee waiver eligibility after the enrollment fee has been collected, providing a refund or enrollment fees paid and updating student and district records as required"). The district requests that we apply the claimed average time allowance of 2 minutes to the allowable student multiplier for FY 1998-99 through FY 2008-09. In support of this request, the district provided a bulleted list of sub-activities consisting of seven items. However, we already accepted the time increment of 2 minutes claimed by the district for this activity and applied that time to the student multipliers provided by the district for FY 2009-10 and FY 2010-11. The district did not provide student multipliers for this activity for any other year of the audit period.

**FINDING 2—
Enrollment Fee
Waivers: Waiving
Student Fees cost
component –
unallowable ongoing
costs**

The district claimed \$1,465,737 in salaries and benefits for the Waiving Student Fees cost component during the audit period in accordance with Education Code section 76300, subdivisions (g) and (h), and waiving student fees for students who apply for and are eligible for BOGG fee waivers. We found that \$1,174,657 is allowable and \$291,080 is unallowable. The costs are unallowable because the district estimated the amount of time required to perform the reimbursable activities. In addition, we noted variations in the number of students used in the district's calculations based on data the district reported to the CCCCCO. We also made adjustments to the average productive hourly rates used in the district's claims.

The following table summarizes the overstated ongoing costs related to waiving student fees by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1999-2000	\$ 103,109	\$ 39,378	\$ (63,731)
2000-01	113,801	44,421	(69,380)
2001-02	123,895	48,611	(75,284)
2002-03	139,828	94,740	(45,088)
2003-04	93,030	86,100	(6,930)
2004-05	176,511	116,698	(59,813)
2005-06	142,518	109,224	(33,294)
2006-07	84,657	115,082	30,425
2007-08	94,667	126,151	31,484
2008-09	113,194	151,084	37,890
2009-10	136,042	117,894	(18,148)
2010-11	144,485	125,274	(19,211)
Total, salaries and benefits	<u>\$ 1,465,737</u>	<u>\$ 1,174,657</u>	<u>\$ (291,080)</u>

The parameters and guidelines (section IV.B.2.b–Reimbursable Activities–Enrollment Fee Waivers–Ongoing Activities) allow the following ongoing reimbursable activities:

- a. Waiving student fees in accordance with groups listed in Education Code section 76300, subdivisions (g) and (h). Waiving fees for students who apply for and are eligible for BOG fee waivers.
 - i. Answering student’s questions regarding enrollment fee waivers or referring them to the appropriate person for an answer. **[Activity 7]**
 - ii. Receiving of waiver applications from students by mail, fax, computer online access, or in person, or in the form of eligibility information processed by the financial aid office. **[Activity 8]**
 - ii. Evaluating each application and verification documents (dependency status, household size and income, SSI and TANF/CalWorks, etc.) for compliance with eligibility standards utilizing information provided by the student, from the student financial aid records (e.g., Free Application for Federal Student Aid (FAFSA), and other records. **[Activity 9]**
 - iv. In the case of an incomplete application or incomplete documentation, notify the student of the additional required information and how to obtain that information. Hold student application and documentation in suspense file until all information is received. **[Activity 10]**
 - v. In the case of an approved application, copy all documentation and file the information for further review or audit. Entering the approved application information into district records and / or notifying other personnel performing other parts of the process (e.g., cashier’s office). Providing the student with proof of eligibility or an award letter, and file paper documents in the annual file. **[Activity 11]**
 - vi. In the case of a denied application, reviewing an evaluating additional information and documentation provided by the student if the denial is appealed by the student. Provide written notification to the student of the results of the appeal or any change in eligibility status. **[Activity 12]**

The parameters and guidelines (section IV–Reimbursable Activities) require claimed costs to be supported by source documents that were created at or near the same time that actual costs were incurred for the event or activity in question. (See Finding 1 for the specific language.)

The parameters and guidelines (section V.A.1–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) state that salaries and benefits are reimbursable if claimants “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

Salaries and Benefits

The district claimed salaries and benefits during the audit period to waive student fees in accordance with groups listed in Education Code section 76300, subdivisions (g) and (h) and to waive fees for students who apply for and are eligible for BOGG fee waivers. For FY 1999-2000 through FY 2010-11, the district claimed salaries and benefits for the six reimbursable activities under the Waiving Student Fees cost component using time allowances developed from the estimated time it took staff to complete various activities as recorded on the employees' annual survey forms. For FY 1999-2000 through FY 2010-11, employees estimated the average time in minutes it took them to perform the six reimbursable activities per student per year on certification forms developed by the district's mandated cost consultant. The district did not provide any source documentation based on actual data to support the estimated time allowances.

The following table summarizes the minutes claimed for reimbursable activities 7 through 12:

Reimbursable Activity	Claimed	
	FT 1999-2000 through FY 2008-09	FY 2009-10 through FY 2010-11
7 Answering questions	3.20	3.50
8 Receive applications	2.80	3.40
9 Evaluate applications	2.00	2.70
10 Incomplete applications - notification	4.30	4.00
11 Approved applications	3.10	4.30
12 Review waiver denials appealed by students	2.40	3.10
	<u>17.80</u>	<u>21.00</u>

As the mandated activities took place at the district during the audit, we assessed whether or not the time estimates cited by district staff for FY 1999-2000 through FY 2010-11 were reasonable. We held discussions with various district representatives in order to determine the procedures that district staff followed to perform the reimbursable activities. We observed district staff in the Financial Aid Office, where students' BOGG fee waiver applications are processed. We documented the average time increments spent by district staff to perform these activities based on our observations.

In applying the time allowances, the district did not report the correct number of students who received BOGG fee waivers. We recalculated reimbursable activities using the correct number of students who received BOGG fee waivers (multiplier). We also made adjustments to the average productive hourly rates that were used in the district's claims. Based on this information, we determined that the district overstated salaries and benefits by \$291,080 for the audit period.

Activities 7 through 12–BOGG Fee Waiver Application Processing – General Information

District Financial Aid Office staff explained that staff time involvement to process a BOGG fee waiver depends on the type of BOGG fee waiver application processed. There are several methods to determine BOGG fee waiver eligibility, as follows:

- BOGG fee waiver A: The student may apply in person by filling out a paper application and must submit proof of TANF/CalWorks, General Assistance, or Supplemental Social Security income to the Financial Aid Office to be eligible.
- BOGG fee Waiver B: The waiver is based on income standards. Students may apply in person by filling out a paper application and must submit a copy of their Federal 1040 tax return. If they are a dependent, they must submit a copy of their parent's tax return. If the student/parent did not file a tax return and reports only untaxed income, then no documentation is required. However, if the income reported is unusually low, the student must explain how they live on the income and note it on the back of the application.
- BOGG fee waiver C: Data from the U.S. Free Application for Federal Student Aid (FAFSA) is downloaded into the district's computer system and is used to calculate the student's financial aid need. If the student record reflects that he or she is a California resident and has at least \$1 of financial need, a BOGG fee waiver C will be posted to the student account.
- BOGG fee waiver V: Students may fill out a paper BOGG fee waiver application and must provide the appropriate required documentation to the Financial Aid Office.

We concluded that the district may process some students' applications twice if the student first applies for a BOGG fee waiver and is denied for BOGG fee waiver A or B. In addition, district staff will have little involvement with students who use the district's online BOGG application process or the FAFSA online process for BOGG fee waiver C. For FY 1999-2000 through FY 2004-05, all applications were received in paper form and manually processed by district staff. Students were able to apply for a BOGG fee waiver online beginning in FY 2005-06.

Activity 7–Answering Student Questions

The district staff accepts paper BOGG fee waiver A and B applications at the front counters and answers questions. The staff may also direct students to fill out the BOGG fee waiver application online.

Activity 8–Receiving Enrollment Fee Waiver Applications

Currently, the district may receive paper BOGG fee waiver applications in person or through the FAFSA website. Most of the BOGG fee waivers currently processed by the district are through the FAFSA website. Based on a report provided by the district, we noted that the percentage of fee waiver applications processed online increased steadily during the audit period, from 38% in FY 2005-06 to 72% in FY 2010-11.

Activity 9–Evaluating waiver applications and verifying documentation

The district's Financial Aid Technicians evaluate and process BOGG A and B fee waiver applications at the front counter of the Financial Aid Office.

Activity 10–Notifying students of additional required information, in the case of an incomplete application

The district does not take and/or keep incomplete applications. The Financial Aid Technicians returned incomplete BOGG fee waiver applications to the student to complete and instructed them to return with proper supporting documentation.

Activity 11–Copying all documentation and filing the information for further review, in the case of an approved application

The reimbursable activity was split into the sub-activities of scanning and proofreading approved applications, and notifying students.

- Scanning and proofreading – District staff proofread the approved applications and scan them into the district's computer system under the student's name, identification number, and social security number.
- Notifying Students – The Financial Aid Specialist stated that the district receives reports from the Department of Education which are then set up in the district's People Soft system to identify changes to the student accounts. The Financial Aid Specialist then opens the report and sends email messages to those students who have a change in their BOGG fee waiver status. A template is used to send the information to the students' portals. The Financial Aid Specialist stated that prior to FY 2009-10, letters were mailed to students regarding changes in their BOGG fee waiver applications.

Activity 12–Appealing a denied BOGG fee waiver application

The district did not claim any costs during the audit period for student appeals of denied BOGG fee waiver applications.

Time Increments

Using certification forms developed by the district's mandated cost consultant, district employees estimated the time required to perform the reimbursable activities. Based on these certifications, the district developed per-student time allowances of 17.8 minutes for FY 1999-2000 through FY 2008-09, and 21.0 minutes for FY 2009-10, and FY 2010-11.

We held discussions with various district representatives during the audit in order to determine the procedures district staff followed to perform the reimbursable activities. We also observed district staff in the Financial Aid Office performing the reimbursable activities and other non-mandated activities. We documented the average time increments spent by district staff to perform the reimbursable activities based on our observations. Over several days, we observed enrollment fee waiver

transactions processed by district staff encompassing Activities 7, 8, 9, and 11.

For Activities 7 through 9, we documented the time required to process each of the 234 students who came to the Financial Aid Office and were assisted by Financial Aid Technicians for various activities. We identified 176 observations that related to the reimbursable activities of answering student questions, receiving BOGG fee waiver applications, and evaluating BOGG fee waiver applications. Based on our observations, we determined that the average time increments required to perform these three reimbursable activities totaled 3.33 minutes.

For Activity 10, although the district did not claim any costs for this cost component, we noted that Financial Aid staff performed activities 7 through 9 before returning the application to the student to provide additional documentation for district staff to complete processing of the student's BOGG fee waiver application.

For Activity 11, we determined that the performance of this reimbursable activity was divided into three segments; (1) proofreading fee waiver applications, (2) scanning approved fee waiver application information, and (3) notifying students with eligibility information. We determined total time increments for FY 1999-2000 through FY 2008-09 totaling 5.25 minutes, and 3.5 minutes for FY 2009-10 through FY 2010-11, as follows:

- Proofreading – We observed a total of 87 applications proofread by a Financial Aid Clerk for correctness. Based on our observations, the average time increment to perform this activity totaled 1.33 minutes per fee waiver application.
- Scanning – We observed a total of 120 BOGG fee waiver applications scanned into the district's Liberty system by Financial Aid Clerks. The average time to perform this activity totaled 1.42 minutes per fee waiver application.
- Notifying Students – Based on discussions with district staff, we determined that it currently takes approximately 45 seconds (.75 minutes) to send each student an update of his or her fee waiver status via email. The process of sending students notifications by email began in FY 2009-10. The Financial Aid Specialist stated that prior to FY 2009-10; it took approximately 2 to 3 minutes to send students a Deferment Notice by mail. Based on further discussion and analysis, we determined that the average time increment to perform this activity was 2.5 minutes for FY 1999-2000 through 2008-09.

As noted previously, the district did not perform Activity 10, (holding incomplete information in a suspense file) or Activity 12 (reviewing fee waiver denials appealed by students) during the audit period.

Accordingly, we concluded that it took district staff a total of 8.58 minutes to perform Activities 7, 8, 9, 10, and 11 during the period of FY 1999-2000 through FY 2008-09, and 6.83 minutes to perform these five activities during FY 2009-10 and FY 2010-11. We calculated allowable

costs by applying 1.72 minutes to activities 7, 9, and 11, and 1.71 minutes to activities 8 and 10 for FY 1999-2000 through FY 2008-09. We calculated allowable costs for FY 2009-10 and 2010-11 by applying 1.37 minutes to activities 7, 8, and 9, and 1.36 to activities 10, and 11.

In order to provide an actual cost basis on which to calculate allowable costs for the district's claims, we applied the results of our observations to all years of the audit period.

Multiplier Calculation

For Activities 7, 8, 9, and 11, the district claimed costs by multiplying the number of students who received BOGG fee waivers by a uniform time allowance and an annual average productive hourly rate. The district used the number of students who received a BOGG fee waiver as the multiplier for all four activities. We inquired about the source of the multiplier used. The number of BOGG fee waivers for FY 1999-2000 through FY 2008-09 was reported by the district's Student Affairs Assistant. The district used numbers from the CCCCO website for FY 2009-10 through FY 2010-11. Using this information, the district was able to provide summary reports for the multiplier used for Activities 7, 8, 9, and 11.

For Activities 7, 8, 9, 10, and 11, we applied the time required to perform the reimbursable activities by the number of students who received BOGG fee waivers per statistics provided by the CCCCO. Using data that the district reported, the CCCCO identifies the unduplicated number of BOGG recipients by term based on MIS data element SF21 and all codes with the first letter of B or F.

For Activity 12 (appeals of denied BOGG fee waiver applications) we did not apply any time increments to the number of student appeals of denied BOGG fee waiver applications claimed by the district. As noted previously, the district does not have any process in place to review denied BOGG fee waiver applications. Rather than conduct a review of denied BOGG fee waivers, students are instructed to apply for Financial Aid.

Calculation of Time Increments Adjustment

The following table summarizes the minutes claimed, allowable, and audit adjustment amounts for reimbursable Activities 7 through 12:

Reimbursable Activities	Claimed		Allowable		Audit Adjustment	
	FY 1999-2000 through	FY 2009-10 through	FY 1999-2000 through	FY 2009-10 and	FY 1999-2000 through	FY 2009-10 and
	FY 2008-09	FY 2010-11	FY 2008-09	FY 2010-11	FY 2008-09	FY 2010-11
7	3.20	3.50	1.72	1.37	(1.48)	(2.13)
8	2.80	3.40	1.71	1.37	(1.09)	(2.03)
9	2.00	2.70	1.72	1.37	(0.28)	(1.33)
10	4.30	4.00	1.71	1.36	(2.59)	(2.64)
11	3.10	4.30	1.72	1.36	(1.38)	(2.94)
12	2.40	3.10	—	0	(2.40)	(3.10)
	<u>17.80</u>	<u>21.00</u>	<u>8.58</u>	<u>6.83</u>	<u>(9.22)</u>	<u>(14.17)</u>

Note: Numbering is used to facilitate referencing to individual reimbursable activities.

Calculation of Multiplier Adjustment—Number of BOGG Fee Waivers

The following table summarizes the claimed, allowable, and audit adjustments for the multiplier for each reimbursable activity that took place at the district for reimbursable Activities 7 through 12:

Reimbursable Activity	Claimed Multiplier	Allowable Multiplier	Adjusted Multiplier
7	245,387	261,954	16,567
8	245,377	261,954	16,577
9	245,384	261,954	16,570
10	—	261,954	261,954
11	245,379	261,954	16,575
12	—	—	—
	<u>981,527</u>	<u>1,309,770</u>	<u>328,243</u>

Productive Hourly Rates

The district understated the average productive hourly rate used for Activities 7 through 9 and 11 in its claim for FY 2003-04. As noted in Finding 5, the district provided support for a higher productive hourly rate (\$26.99) than the one used in its claim for that year (\$19.42). We calculated allowable costs using the higher productive hourly rate that the district supported.

Calculation of Hours Adjustments

We multiplied the allowable minutes per reimbursable activity by the multiplier for the reimbursable activities (as identified in the table above) to determine the number of allowable hours for reimbursable Activities 7 through 12.

The following table summarizes the claimed and allowable hours by reimbursable activity for the audit period:

Reimbursable Activity	Hours Claimed	Hours Allowable	Adjusted Hours
7	13,268.40	7,136.46	(6,131.94)
8	11,813.30	7,103.46	(4,709.84)
9	8,602.20	7,136.46	(1,465.74)
10	—	7,092.80	7,092.80
11	13,402.60	7,125.81	(6,276.79)
12	—	—	—
Total Hours	<u>47,086.50</u>	<u>35,594.99</u>	<u>(11,491.51)</u>

Calculation of Costs by Reimbursable Activities

We applied the audited productive hourly rates to the allowable hours per reimbursable activity. We found that salaries and benefits totaling \$1,174,657 are allowable and \$291,080 is unallowable.

The following table summarizes the claimed and allowable salary and benefit costs by reimbursable activity for the audit period:

Reimbursable Activity	Salaries and Benefits Claimed	Salaries and Benefits Allowable	Audit Adjustment
7	\$ 412,327	\$ 235,507	\$ (176,820)
8	367,584	234,423	(133,161)
9	268,046	235,508	(32,538)
10	—	234,067	234,067
11	417,780	235,152	(182,628)
12	—	—	—
Total	<u>\$ 1,465,737</u>	<u>\$ 1,174,657</u>	<u>\$ (291,080)</u>

Recommendation

The district has chosen to accept block grant funds in lieu of filing mandated cost claims. Should the district subsequently decide to file mandated cost claims rather than accept block grant funds, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District's Response

Effective July 1, 2012 Cerritos College has annually opted-in to block grant funding available under AB 1464 which provides apportionment in the amount of \$28 per FTES based on funded FTES.

SCO's Comments

The finding remains unchanged. We updated the recommendation to indicate that the district opted-in to block grant funding.

The district did not provide a response as to whether it agreed with the audit results.

FINDING 3— Unallowable indirect costs

The district claimed indirect costs during the audit period totaling \$1,842,050 for enrollment fee collection activities and \$479,881 for enrollment fee waiver activities. For enrollment fee collection activities, we found that \$151,960 is allowable and \$1,690,090 is unallowable. For enrollment fee waiver activities, we found that \$292,614 is allowable and \$187,267 is unallowable. The costs are unallowable because of indirect cost rate calculation errors in each year of the audit period (\$197,320) and the unallowable salaries and benefits previously identified (\$1,680,037).

Indirect Cost Rates Claimed

The district claimed indirect costs using the SCO's FAM-29C methodology. However, for all years of the audit period except FY 2006-07 and FY 2008-09, the district used information contained in the California Community Colleges Annual Financial Budget Report Expenditures by Activity Report (CCFS – 311) from the prior fiscal year to compute its indirect cost rates. Also, the district did not complete the FAM-29C in accordance with SCO's claiming instructions. We noted the following errors in the district's indirect cost rate calculations:

FY 1998-99 through FY 2003-04

- Expenditures that appear on the district's CCFS-311 financial report from the previous fiscal year were used to calculate the indirect cost rates.
- Capital Outlay costs were misclassified as indirect costs. The SCO's claiming instructions state that expenditures for capital outlays are excluded from the indirect cost rate computation.
- Costs incurred for Property & Acquisitions (account 7100) were included as indirect costs. The SCO claiming instructions do not include this account in the indirect cost rate computation.
- Costs for Operation and Maintenance of Plant (account group 6600) were included 100% as indirect costs. The SCO claiming instructions state that a portion of the expenses reported in this account may be reported as indirect: "The claimant has the option of using a 7% or a higher expense percentage is allowable if the college can support its allocation base." However, the district did not support using more than the allowable 7% option of costs incurred in this account.
- Costs for Staff Development (account 6750) and Staff Diversity (account 6760) were included 100% as indirect costs. The SCO claiming instructions did not identify costs in these accounts as indirect costs until FY 2004-05.

FY 2004-05 and FY 2005-06

- Expenditures that appear on the district's CCFS-311 financial report from the previous fiscal year were used to calculate the indirect cost rates.
- Capital Outlay costs were misclassified as indirect costs. The SCO's claiming instructions state that expenditures for capital outlays are excluded from the indirect cost rate computation.
- Costs incurred for Property & Acquisitions (account 7100) were included as indirect costs. The SCO claiming instructions do not include this account in the indirect cost rate computation.
- Costs incurred for Community Relations (account 6710) were misclassified as indirect costs instead of direct costs.
- Costs for depreciation of plant and equipment obtained from the district's audited financial report were not included as indirect costs in the calculations.

FY 2006-07

- Capital Outlay costs were misclassified as indirect costs. The SCO's claiming instructions state that expenditures for capital outlays are excluded from the indirect cost rate computation.
- Costs incurred for Community Relations (account 6710) were misclassified as indirect costs instead of direct costs.

FY 2007-08

- Expenditures that appear on the district's CCFS-311 financial report from the previous fiscal year were used to calculate the indirect cost rates.
- Capital Outlay costs were misclassified as indirect costs. The SCO's claiming instructions state that expenditures for capital outlays are excluded from the indirect cost rate computation.
- Costs incurred for Community Relations (account 6710) were misclassified as indirect costs instead of direct costs.
- Costs for depreciation of plant and equipment obtained from the district's FY 2006-07 audited financial report were used in the indirect cost rate calculation instead of amounts for FY 2007-08.

FY 2008-09

- Costs incurred for Community Relations (account 6710) were misclassified as indirect costs instead of direct costs.

FY 2009-10

- Expenditures that appear on the district's CCFS-311 financial report from the previous fiscal year were used to calculate the indirect cost rates.
- Costs incurred for Community Relations (account 6710) were misclassified as indirect costs instead of direct costs.
- Costs for depreciation of plant and equipment obtained from the district's FY 2008-09 audited financial report were used in the indirect cost rate calculation instead of amounts for FY 2009-10.

FY 2010-11

- Costs incurred for Community Relations (account 6710) were misclassified as indirect costs instead of direct costs.
- Costs for depreciation of plant and equipment obtained from the district's FY 2009-10 audited financial report were used in the indirect cost rate calculation instead of amounts for FY 2010-11.

Recalculated Indirect Cost Rates

We recalculated indirect cost rates for each fiscal year of the audit period using the SCO's FAM-29C methodology. We used the information contained in the California Community Colleges Annual Financial Budget Report Expenditures by Activity Report (CCFS – 311). Our calculations show that the district overstated its indirect cost rates for FY 1998-99 through FY 2008-09, and FY 2010-11, and understated its indirect cost rate for FY 2009-10.

The following table summarizes the claimed, allowable and audit adjustment for indirect cost rates:

<u>Fiscal Year</u>	<u>Allowable Indirect Cost Rate</u> (A)	<u>Claimed Indirect Cost Rate</u> (B)	<u>Misstated Rate</u> (C)=(B)-(A)
1998-99	15.58%	39.30%	-23.72%
1999-2000	11.77%	40.33%	-28.56%
2000-01	11.41%	32.78%	-21.37%
2001-02	12.02%	31.58%	-19.56%
2002-03	12.87%	29.26%	-16.39%
2003-04	13.86%	28.16%	-14.30%
2004-05	26.40%	34.11%	-7.71%
2005-06	26.27%	30.68%	-4.41%
2006-07	30.42%	34.58%	-4.16%
2007-08	28.95%	34.58%	-5.63%
2008-09	28.49%	30.80%	-2.31%
2009-10	31.65%	30.80%	0.85%
2010-11	31.34%	34.02%	-2.68%

Enrollment Fee Collection

The district claimed \$1,842,050 for indirect costs during the audit period, related to salaries and benefits claimed for enrollment fee collection activities. We found that \$151,960 is allowable and \$1,690,090 is unallowable. We found that \$107,084 is unallowable because of indirect cost rate differences, and \$1,583,006 is unallowable because of unallowable salary and benefit costs identified in Finding 1.

The following table summarizes the claimed, allowable, and audit adjustment amounts for indirect costs related to enrollment fee collection by fiscal year:

<u>Fiscal Year</u>	<u>Enrollment Fee Collection</u>				
	<u>Allowable Costs</u>	<u>Allowable Indirect Cost Rates</u>	<u>Allowable Indirect Costs</u>	<u>Claimed Indirect Costs</u>	<u>Audit Adjustment</u>
1998-99	\$ 64,290	15.58%	\$ 10,016	\$ 136,405	\$ (126,389)
1999-2000	72,027	11.77%	8,478	157,393	(148,915)
2000-01	85,005	11.41%	9,699	153,055	(143,356)
2001-02	96,478	12.02%	11,597	167,257	(155,660)
2002-03	83,650	12.87%	10,766	155,925	(145,159)
2003-04	73,063	13.86%	10,126	181,029	(170,903)
2004-05	43,264	26.40%	11,422	138,837	(127,415)
2005-06	39,528	26.27%	10,384	121,280	(110,896)
2006-07	34,544	30.42%	10,509	119,517	(109,008)
2007-08	30,738	28.95%	8,899	145,774	(136,875)
2008-09	32,583	28.49%	9,283	162,741	(153,458)
2009-10	68,035	31.65%	21,533	101,705	(80,172)
2010-11	61,416	31.34%	19,248	101,132	(81,884)
Total	<u>\$ 784,621</u>		<u>\$ 151,960</u>	<u>\$ 1,842,050</u>	<u>\$ (1,690,090)</u>

Enrollment Fee Waivers

The district claimed \$479,881 for indirect costs during the audit period related to salaries and benefits claimed for enrollment fee waivers activities. We found that \$292,614 is allowable and \$187,267 is unallowable. We found that \$90,236 is unallowable because of indirect cost rate differences and \$97,031 is unallowable because of unallowable salary and benefit costs identified in Finding 2.

The following table summarizes the overstated indirect costs related to enrollment fee waivers by fiscal year:

Fiscal Year	Enrollment Fee Waivers				
	Allowable Costs	Allowable Indirect Cost Rates	Allowable Indirect Costs	Claimed Indirect Cost Costs	Audit Adjustment
1999-2000	\$ 39,813	11.77%	\$ 4,686	\$ 41,760	\$ (37,074)
2000-01	44,753	11.41%	5,106	37,413	(32,307)
2001-02	49,070	12.02%	5,899	39,271	(33,372)
2002-03	95,179	12.87%	12,250	41,042	(28,792)
2003-04	86,669	13.86%	12,012	26,357	(14,345)
2004-05	118,164	26.40%	31,195	60,708	(29,513)
2005-06	109,224	26.27%	28,693	43,725	(15,032)
2006-07	115,082	30.42%	35,008	29,275	5,733
2007-08	126,151	28.95%	36,521	32,736	3,785
2008-09	151,084	28.49%	43,044	34,864	8,180
2009-10	120,478	31.65%	38,130	42,697	(4,567)
2010-11	127,858	31.34%	40,070	50,033	(9,963)
Total	<u>\$ 1,183,525</u>		<u>\$ 292,614</u>	<u>\$ 479,881</u>	<u>\$ (187,267)</u>

The parameters and guidelines (section V.B.–Claim Preparation and Submission–Indirect Costs) state,

Indirect costs are costs that have been incurred for common or joint purposes. . . . Community colleges have the option of using: (1) a federally approved rate, utilizing the cost accounting principles from the Office of Management and Budget Circular A-21, “Cost Principles of Education Institutions”; (2) the rate calculated on State Controller’s Form FAM-29C; or (3) a 7% indirect cost rate.

Recommendation

The district has chosen to accept block grant funds in lieu of filing mandated cost claims. Should the district subsequently decide to file mandated cost claims rather than accept block grant funds, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

District’s Response

Effective July 1, 2012 Cerritos College has annually opted-in to block grant funding available under AB 1464 which provides apportionment in the amount of \$28 per FTES based on funded FTES.

SCO's Comments

The district did not provide a response as to whether it agreed with the audit results. However, allowable related indirect costs increased by \$27,875, from \$124,085 to \$151,960, because of the revisions to allowable salaries and benefits costs identified in Finding 1. We also updated the recommendation to indicate that the district opted-in to block grant funding.

**FINDING 4—
Misstated offsetting
reimbursements**

The district claimed offsetting reimbursements totaling \$2,441,738 (\$864,136 for enrollment fee collection and \$1,577,602 for enrollment fee waivers). We found that offsetting reimbursements were misstated by \$158,941 for enrollment fee collection (overstated by \$262,064 and understated by \$103,123) and misstated by \$101,463 for enrollment fee waivers (overstated by \$219,444 and understated by \$320,907). The offsetting reimbursements were misstated because the district did not report the correct amounts that it received from the CCCCCO for enrollment fee collection or enrollment fee waivers in any year of the audit period.

Enrollment Fee Collection

For the audit period, the district claimed offsetting reimbursements for enrollment fee collection related to the offset of 2% of revenues from enrollment fees. We obtained a report from the CCCCCO confirming offsets paid to the district totaling \$923,045 during the audit period.

We limited offsetting reimbursements received by the district to allowable direct and indirect costs. Allowable direct and indirect costs applicable for the audit period related to enrollment fee collection activities totaled \$936,581; therefore, this amount represents offsets applicable to the audit period. The district claimed \$864,136. Consequently, the district misstated offsetting reimbursements by \$158,941 (overstated by \$262,064 and understated by \$103,123).

The following table summarizes the misstated enrollment fee collection offsetting reimbursements by fiscal year:

Enrollment Fee Collection Offsets					
Fiscal Year	Allowable Direct and Related Indirect Costs (A)	Offsets Claimed (B)	Actual Offsets Confirmed by the CCCCO (C)	Offset Applicable to Audit (D)	Audit Adjustment E = (D-B)
1998-99	\$ 74,306	\$ (36,202)	\$ (47,878)	\$ (47,878)	\$ (11,676)
1999-2000	80,505	(35,648)	(48,541)	(48,541)	(12,893)
2000-01	94,704	(37,121)	(50,177)	(50,177)	(13,056)
2001-02	108,075	(35,950)	(50,941)	(50,941)	(14,991)
2002-03	94,416	(34,964)	(51,488)	(51,488)	(16,524)
2003-04	83,189	(69,659)	(76,364)	(76,364)	(6,705)
2004-05	54,686	(109,137)	(96,726)	(54,686)	54,451
2005-06	49,912	(103,707)	(97,219)	(49,912)	53,795
2006-07	45,053	(103,999)	(95,796)	(45,053)	58,946
2007-08	39,637	(92,190)	(74,349)	(39,637)	52,553
2008-09	41,866	(84,185)	(84,914)	(41,866)	42,319
2009-10	89,568	(69,444)	(81,933)	(81,933)	(12,489)
2010-11	80,664	(51,930)	(66,719)	(66,719)	(14,789)
Total	<u>\$ 936,581</u>	<u>\$ (864,136)</u>	<u>\$ (923,045)</u>	<u>\$ (705,195)</u>	<u>\$ 158,941</u>

Consequently, the unused portion of offsetting reimbursements related to enrollment fee collection costs total \$217,850 as follows:

Fiscal Year	Actual Offsets Confirmed by the CCCCCO (A)	Offset Applicable to Audit (B)	Unused Portion of Offsets (A-B)
1998-99	\$ (47,878)	\$ (47,878)	\$ —
1999-2000	(48,541)	(48,541)	—
2000-01	(50,177)	(50,177)	—
2001-02	(50,941)	(50,941)	—
2002-03	(51,488)	(51,488)	—
2003-04	(76,364)	(76,364)	—
2004-05	(96,726)	(54,686)	(42,040)
2005-06	(97,219)	(49,912)	(47,307)
2006-07	(95,796)	(45,053)	(50,743)
2007-08	(74,349)	(39,637)	(34,712)
2008-09	(84,914)	(41,866)	(43,048)
2009-10	(81,933)	(81,933)	—
2010-11	(66,719)	(66,719)	—
Total	<u>\$ (923,045)</u>	<u>\$ (705,195)</u>	<u>\$ (217,850)</u>

Enrollment Fee Waivers

For the audit period, the district claimed offsetting reimbursements for enrollment fee waivers related to 7% or 2% of the enrollment fees waived and \$0.91 per credit hour waived. We obtained a report from the CCCCCO confirming enrollment fee waivers offsets paid to the district totaling \$3,091,516 for the audit period. We also limited offsetting

reimbursements received by the district to allowable direct and indirect costs. Allowable direct and indirect costs applicable to the audit period related to enrollment fee waivers activities totaled \$1,476,139; therefore, this amount represents offsets applicable to the audit period. The district claimed \$1,577,602. Consequently, the district misstated allowable enrollment fee waivers offsets by \$101,463 (overstated by \$219,444 and understated by \$320,907).

The following table summarizes the misstated enrollment fee waivers offsetting reimbursements by fiscal year:

Enrollment Fee Waivers Offsets					
Fiscal Year	Allowable Direct and Related Indirect Costs (A)	Offsets Claimed (B)	Actual Offsets Confirmed by the CCCCCO (C)	Offset Applicable to Audit (D)	Audit Adjustment E = (D-B)
1999-2000	\$ 44,499	\$ (113,801)	\$ (137,321)	\$ (44,499)	\$ 69,302
2000-01	49,859	(114,133)	(181,749)	(49,859)	64,274
2001-02	54,969	(124,354)	(189,947)	(54,969)	69,385
2002-03	107,429	(140,267)	(207,915)	(107,429)	32,838
2003-04	98,681	(93,608)	(252,868)	(98,681)	(5,073)
2004-05	149,359	(177,977)	(319,807)	(149,359)	28,618
2005-06	137,917	(142,518)	(292,989)	(137,917)	4,601
2006-07	150,090	(84,657)	(303,417)	(150,090)	(65,433)
2007-08	162,672	(94,667)	(296,399)	(162,672)	(68,005)
2008-09	194,128	(113,195)	(267,973)	(194,128)	(80,933)
2009-10	158,608	(181,323)	(298,954)	(158,608)	22,715
2010-11	167,928	(197,102)	(342,177)	(167,928)	29,174
Total	<u>\$ 1,476,139</u>	<u>\$ (1,577,602)</u>	<u>\$ (3,091,516)</u>	<u>\$ (1,476,139)</u>	<u>\$ 101,463</u>

Consequently, the unused portion of offsetting reimbursements related to enrollment fee waivers costs total \$1,615,377 as follows:

Fiscal Year	Actual Offsets Confirmed by the CCCCCO (A)	Offset Applicable to Audit (B)	Unused Portion of Offsets (C) = (A-B)
1999-2000	\$ (137,321)	\$ (44,499)	\$ (92,822)
2000-01	(181,749)	(49,859)	(131,890)
2001-02	(189,947)	(54,969)	(134,978)
2002-03	(207,915)	(107,429)	(100,486)
2003-04	(252,868)	(98,681)	(154,187)
2004-05	(319,807)	(149,359)	(170,448)
2005-06	(292,989)	(137,917)	(155,072)
2006-07	(303,417)	(150,090)	(153,327)
2007-08	(296,399)	(162,672)	(133,727)
2008-09	(267,973)	(194,128)	(73,845)
2009-10	(298,954)	(158,608)	(140,346)
2010-11	(342,177)	(167,928)	(174,249)
Total	<u>\$ (3,091,516)</u>	<u>\$ (1,476,139)</u>	<u>\$ (1,615,377)</u>

The parameters and guidelines (section VII-Offsetting Savings and Reimbursements state,

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate from any source, including, but not limited to services fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

Enrollment Fee Collection Program:

The cost of the Enrollment Fee Collection program are subject to an offset of two percent (2%) of the revenue from enrollment fees (Ed. Code, 76000, subd.(c))

Enrollment Fee Waiver Program:

The costs of the Enrollment Fee Waiver program are subject to the following offsets:

July 1, 1999 to July 4, 2000:

- For low income students² or recipients of public assistance³, or dependents or surviving spouses of National Guard soldiers killed in the line of duty⁴ as defined:
 - an offset identified in Education Code section 76300, subdivision (m), that requires the community college Board of Governors, from funds in the annual budget act, to allocated to community college two percent (2%) of the fees waived, under subdivision (g) [low income students, as defined, or specified recipient of public assistance] and (h) [dependents or surviving spouses of California National Guard soldiers killed in the line of duty, as defined] of section 76300; and
- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined) or recipients of public assistance (as defined), or dependents or surviving spouses of National Guard soldiers killed in the line of duty, for whom fees are waived:
 - from funds provided in the annual State Budget Act, the board of governors shall allocate to community college districts, pursuant to this subdivision, an amount equal to seven (7%) of the fee waivers provided, pursuant to subdivisions (g) [low income students, as defined, or specified recipients of public assistance] and 9h0 [dependents or surviving spouses of California National Guard soldiers killed in the line of duty, as defined].

Beginning July 5, 2000:

- For low-income students (as defined), or recipient of public assistance (as defined) or dependent or surviving spouses of National Guard soldiers killed in the line of duty, for whom fees are waived (as defined):
 - an offset identified in Education Code section 76300, subdivision (m), that requires the Community College Board of Governors, from funds in the annual budget act, to allocate

to community colleges two (2%) of the fees waived, under subdivisions (g) [low income students, as defined, or specified recipients of public assistance] and (h) [dependents of California National Guard soldiers killed in the line of duty as defined] of section 76300;

- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined) or recipients of public assistance (as defined) for whom fees are waived:
 - requires the Board of Governors to allocate from funds in the annual State Budget Act ninety-one cents (\$0.91) per credit unit waived pursuant to subdivisions (g) [low income students, as defined, or specified recipient of public assistance] and (h) [dependents or California National Guard soldiers killed in the line of duty as defined].
- Any budget augmentation received under the Board Financial Assistance Program Administrative Allowance, or any other state budget augmentation received for administering the fee waiver program.

Note – Footnotes 2 through 5 are included in the parameters and guidelines to provide additional clarification.

Recommendation

The district has chosen to accept block grant funds in lieu of filing mandated costs claims. Should the district subsequently decide to file mandated cost claims rather than accept block grant funds, we recommend that the district report the applicable offsetting reimbursements for the Enrollment Fee Collection and Waivers Program on its mandated cost claims based on information provided by the CCCCCO.

District's Response

Effective July 1, 2012 Cerritos College has annually opted-in to block grant funding available under AB 1464 which provides apportionment in the amount of \$28 per FTES based on funded FTES.

SCO's Comments

The district did not provide a response as to whether it agreed with the audit results. However, misstated offsetting reimbursements decreased by \$52,833 for enrollment fee collection activities, from \$211,774 to \$158,941, because of revisions to allowable salaries and benefits costs identified in Finding 1 and revisions to related indirect costs identified in Finding 3. We also updated the recommendation to indicate that the district opted-in to block grant funding.

Total direct and indirect costs for enrollment fee collection activities increased by \$215,111 due to the revisions made to allowable costs in Findings 1 and 3. However, total allowable costs for enrollment fee collection activities for the audit period only increased by \$162,278 due

to the application of unused offsetting reimbursements applicable to the district's claims for FY 2003-04 through FY 2008-09 totaling \$52,833. As a result, the adjustment for unused offsetting revenues decreased from \$270,683 to \$217,850.

**FINDING 5—
Misstated productive
hourly rates**

For the audit period, the district calculated average productive hourly rates separately for employees involved in calculating and collecting enrollment fees (Activities 1 through 6) and for employees involved with waiving students' fees (Activities 7 through 12). The district calculated its average productive hourly rates using a straight average methodology. The documentation provided by the district for its FY 2003-04 claim supported productive hourly rates of \$19.42 for calculating and collecting enrollment fee activities and \$26.99 for enrollment fee waivers activities. However, the district used the \$19.42 rate to claim costs for enrollment fee waivers activities and used the \$26.99 rate to claim costs for calculating and collecting enrollment fee activities in its claim for FY 2003-04. Therefore, we used the \$19.42 rate to calculate allowable enrollment fee collection costs and used the \$26.99 rate to calculate allowable costs for enrollment fee waivers activities for FY 2003-04.

The parameters and guidelines (section V – Claim Preparation and Submission- Direct Cost Reporting-Salaries and Benefits) state that, for salaries and benefits, claimants are required to:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The SCO's claiming instructions state that one of the three options may be used to compute productive hourly rates:

- Actual annual productive hours for each employee;
- The weighted average annual productive hours for each job title; or
- 1,800 annual productive hours for all employees. (1,800 annual productive hours excludes time for paid holidays, vacation earned, sick leave taken, informal time off, jury duty, and military leave taken).

Recommendation

The district has chosen to accept block grant funds in lieu of filing mandated cost claims. Should the district subsequently decide to file mandated cost claims rather than accept block grant funds, we recommend that the district ensure that productive hourly rates are calculated in accordance with the guidelines provided in the SCO's claiming instructions.

District's Response

Effective July 1, 2012 Cerritos College has annually opted-in to block grant funding available under AB 1464 which provides apportionment in the amount of \$28 per FTES based on funded FTES.

SCO's Comments

The finding remain unchanged. We updated the recommendation to indicate that the district opted-in to block grant funding.

The district did not respond as to whether it agreed with the audit results.

**Attachment—
District's Response to
Draft Audit Report**



Cerritos College

March 13, 2014

Mr. Jim L. Spano, Chief
Mandated Cost Audits Bureau
State Controller's Office, Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano,

This is in response to the Audit Report of February 2014 for Enrollment Fee Collection and Waivers Program. I am confident you will find the information helpful and useful in a reconsideration of your findings.

Finding 1 – Enrollment fee collection: Calculating and Collecting Enrollment Fees cost component – unallowable ongoing costs

District Response

This audit's conclusions were based on current observations of processes in use at Cerritos College during 2012. However, the claims submitted by the college from 1998-99 through 2008-09 were based on past operational processes and technologies that required manual activities and extensive research that were more time consuming than those that presently occur. A significant indicator of the change in the time required to process enrollment fee collections and cashier functions can be seen in the significant reduction in per transaction claims from 33 ½ minutes in 1998-99 through 2008-09 to 14 minutes during 2009-10 and 2010-11 when the system improved. The following information describes these circumstances in greater detail.

From 1998-99 through 2008-09, the Admissions and Records office was on a student management system that was not a relational database. When conducting the following mandated activities the time required to serve students was much greater than today due to the inadequate technologies in use at that time.

- referencing student accounts
- calculating the fee
- answering questions
- providing refunds
- collecting delinquent fees

Cerritos Community College District

11110 Alondra Blvd., Norwalk, CA 90650 • 562.860.2451 • Fax 562.467.5005 • www.cerritos.edu

The student management system was very basic during this time period. The referencing of student accounts was conducted manually. When answering questions like the calculation of multiple fees and referencing student accounts, extensive research was required such as reviewing microfilm and microfiche, making phone calls, reviewing paper reports and source documentation, and seeking assistance from other departments. These activities would take up to 1 hour and sometimes cross over two or three days in order to gain all required information to clear the student of debt through the collection of fees. Once the fees were collected, individual receipts had to be hand written so that the monetary credit was posted to the correct debt. The fee collection process was not automated, and it was cumbersome and time consuming.

In the summer of 2005, Cerritos College implemented PeopleSoft 8.0 Enterprise Resource Planning software. This system helped to relate various aspects of student administration. Operationally, Student Financials was added to the responsibility of Admissions and Records in order to make fee collection more streamlined for the student and the college. However, the software system was extremely detail-oriented and required extensive collaboration amongst the employees of Information Technology, Admissions and Records, and Fiscal Services departments in order to process enrollment fee collections. Additionally, new processes were required. For example, cashiering “windows” (electronic link between enrollment and cashiering) had to be open in order to process, and if the individual cashier/end user did not have an open window to collect fees then student fees would be collected but would not post. Subsequently, the cashier would have to take time to open the window and make sure that the recently collected fees were re-posted correctly to the student account. This process would take 15 to 20 minutes per transaction to complete. This was a common practice as the system was very new and difficult to learn.

Further, the student fee collection was based on “item types” that had to be linked to accounts within the general fund. This required extensive review of each student account to ensure that fees were properly credited. Also with the new PeopleSoft product, in-person and online fee collection via credit card became possible. This added additional components to the student fee collection process such as answering questions and refunding of fees (as our credit card system is through a third party). With the addition of credit card processing, edits to account postings became a daily practice. Specifically, while the student paid, the posting of the fee and referencing of the student account became more time consuming and technically challenging.

The steps taken to process enrollment fee collection and cashiering functions during this time period were as follows:

ENROLLMENT FEE COLLECTION AND CASHIER FUNCTION

CODE 11 – Referencing the students account or records – List student’s courses, status of payments, and wavier eligibility, and printing out a list of enrolled courses. **Average time to process per student was 9 ½ minutes.**

- Print-out daily large amounts of receipts from online and telephone payments.
- Fold and stuff receipts in envelopes. Forward receipts to mail-room for postage stamps.
- Reply to correspondence regarding student class enrollment and tuition by telephone or by written communication.

- Answer telephone inquiries regarding student tuition fees and waivers.
- Support long lines of students with inquiries related to tuition fees and waivers.
- Print class list for in-person students.
- Discuss payment options, due dates, and waiver options.

CODE 12 – Calculating the enrollment, collect the payment or receivable, update student account/record, and print out receipt/course list/ other report. **Average time to process per student was 2 minutes.**

- Procedures when collecting tuition:
 1. Request student's identification.
 2. Provide student with a payment form.
 3. Enter student identification number into the "REGS" menu in the Legacy system.
 4. Review and verify student's study list.
 - a. If adjustments are required, provide student with a change of program form.
 - b. Make necessary adjustments in ALPHA computer system.
 5. Review tuition with student and updated fee waivers.
 6. List the corresponding charges accordingly on fee payment form.
 7. Collect money from student.
 8. Verify amount collected.
 - a. Checks – Print DL's number and student telephone number on check. Verify written amount. Initial reverse side of personal check. Stamp backside of the personal check with Cerritos College endorsement stamp. Place checks in Lock box.
 - b. Cash – Double count cash in the presence of the student. Mark \$20 bills or larger with counterfeit pen. Place money in lock box and retrieve change. Double count change in the presence of the student.
 9. Enter currency type and amount of payment in Alpha system.
 10. Complete fee payment form. Indicate what type of currency was collected.
 11. Initial and date fee payment form.
 12. Retrieve receipt from shared printer.
 13. Review and verify transaction with student.
 14. Reconcile fees collected.
- Prepare deposit daily and bag for armored truck pick up.
- Print-out daily large amounts of receipts from online and telephone payments.
- Prepare invoices for contract student.

CODE 13 – Answering Questions and/or referring student to the appropriate person for an answer.

Average time to process per student was 15 minutes.

- Reply to correspondence regarding student class enrollment and tuition by telephone or by written communication.
- Answer telephone inquiries regarding student tuition fees and waivers.
- Support long lines of students with inquiries related to tuition fees and waivers.

- Refer students to Financial Aid, Counseling, and Division Offices.
- Refer students to Fiscal Services to inquire about refunds and/or to process refunds.

CODE 14 – Updating Student File for the enrollment fee information, and providing a copy to the student. **Average time to process per student was 2 minutes.**

- Print-out on a daily basis large amounts of receipts from online and telephone payments. (Any class adjustments will create a new receipt.)
- Fold and stuff receipts in envelopes. Forward receipts to mail-room for postage stamps.
- Assist in-person students with class adjustments, update and print class lists. Collect new enrollment fees.
- Print class list for in-person students.

CODE 15 – Amounts Receivables/Delinquencies: Collecting enrollment fees due/delinquent (Telephone contact, written notices, collection agencies, small claims court, etc.). **Average time to process per student was 5 minutes.**

- Run reports for past due fees.
- Run process to place holds on student records.
- Collect payments for past due holds.
- Remove holds after posting delinquent payment.

CODE 16 – Refunds for students who later become eligible for waivers (not just course changes), explain the process, and update student account/record. **Average time to process per student was 2 minutes.**

- Process drop for student.
- Refer student to Fiscal Services for refund.
- Process refund in Legacy system.
- Run batch refund process and reports.
- Send refund report to Los Angeles County Office of Education (LACOE) to create refund checks.
- Receive and validate checks from LACOE.
- Insert checks in envelope and forward to the Mail-Room for postage stamps.

District Response to Recommendation

Effective July 1, 2012 Cerritos College has annually opted-in to block grant funding available under AB 1464 which provides apportionment in the amount of \$28 per FTES based on funded FTES.

Finding 2 – Enrollment Fee Waivers: Waiving Student Fees cost component – unallowable ongoing costs

District Response to Recommendation

Effective July 1, 2012 Cerritos College has annually opted-in to block grant funding available under AB 1464 which provides apportionment in the amount of \$28 per FTES based on funded FTES.

Finding 3 – Unallowable indirect costs

District Response to Recommendation

Effective July 1, 2012 Cerritos College has annually opted-in to block grant funding available under AB 1464 which provides apportionment in the amount of \$28 per FTES based on funded FTES.

Finding 4 – Misstated offsetting reimbursements

District Response to Recommendation

Effective July 1, 2012 Cerritos College has annually opted-in to block grant funding available under AB 1464 which provides apportionment in the amount of \$28 per FTES based on funded FTES.

Finding 5 – Misstated productive hourly rates

District Response to Recommendation

Effective July 1, 2012 Cerritos College has annually opted-in to block grant funding available under AB 1464 which provides apportionment in the amount of \$28 per FTES based on funded FTES.

Sincerely,



David El Fattal
Vice President of Business Services

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>